

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS AND LIMITED REVIEW
REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF
SECTION THREE)

BURGAN BANK A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
TOGETHER WITH INDEPENDENT LIMITED REVIEW
REPORT AT 31 MARCH 2018**

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor’s report originally issued in Turkish, See Note I. of Section three)

To the Board of Directors of Burgan Bank Anonim Şirketi

Introduction

We have reviewed the consolidated statement of financial position of Burgan Bank A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “the Group”) at 31 March 2018 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as “BRSA Accounting and Reporting Legislation”) and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of Burgan Bank A.Ş. and its subsidiaries at 31 March 2018 and of the results of its operations and its cash flows for the three-month-period then ended in all material respects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim annual report in section seven, are not consistent with the consolidated financial statements and disclosures in all material respects.

Additional paragraph for English translation:

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by BRSA Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst&Young Global Limited



(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF
BURGAN BANK A.Ş. AS OF 31 MARCH 2018**

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The consolidated three months financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- **Section One** GENERAL INFORMATION ABOUT THE GROUP
- **Section Two** CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- **Section Three** EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT
- **Section Seven** EXPLANATIONS ON INTERIM ACTIVITY REPORT

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this reporting package are as follows:

<u>Subsidiaries</u>	<u>Investment in Associates</u>	<u>Joint Ventures</u>
1. Burgan Finansal Kiralama A.Ş.	-	-
2. Burgan Yatırım Menkul Değerler A.Ş.	-	-
3. Burgan Wealth Limited	-	-

The accompanying consolidated three months financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira, have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been reviewed.

11 May 2018

Mehmet N. ERTEN Chairman of the Board of Directors	Ali Murat DİNÇ Member of the Board of Directors and General Manager	Mehmet YALÇIN Vice General Manager of Finance	Ahmet CİĞA Head of Accounting, Tax, and Reporting Unit
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Halil CANTEKİN Head of the Audit Committee	Adrian Alejandro GOSTUSKI Member of the Audit Committee	Osama T. AL GHOUSSEIN Member of the Audit Committee
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Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title : Ahmet CİĞA / Head of Accounting Tax and Reporting Unit
Telephone Number : 0 212 371 34 84
Fax Number : 0 212 371 42 48

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

I. PARENT BANK’S FOUNDATION DATE, START-UP STATUTE, HISTORY ABOUT THE CHANGES IN THIS MENTIONED STATUTE:

Tekfen Yatırım ve Finansman Bankası A.Ş. was established as an “investment bank” with the permission of the Council of Ministers No. 88/13253 on 26 August 1988 and authorised to conduct finance investment and foreign trade activities. Banking operations commenced on 7 August 1989.

Bank Ekspres A.Ş. (“Bank Ekspres”) was established with the permission of the Council of Ministers in decision No. 91/2316 on 22 September 1991; “The Decree of Establishment Permission” was published in the Official Gazette numbered 21017 and dated 10 October 1991. The Articles of Association was published in the Trade Registry Gazette numbered 2969 and dated 18 February 1992. The Turkish Savings Deposit and Insurance Fund (“SDIF”) took over the management of Bank Ekspres A.Ş. due to the poor fiscal structure of the bank on 23 October 1998.

According to the Share Transfer Agreement signed between the SDIF and Tekfen Holding A.Ş. on 30 June 2001, 2,983.800.000 shares with a nominal value of Kr1 each and which amount to 99,46% of the capital of Bank Ekspres A.Ş. under the control of the SDIF in accordance with Banking Law were transferred to Tekfen Holding A.Ş.. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., where Tekfen Holding A.Ş. owns 57,69% of the Bank, by Bank Ekspres A.Ş. was permitted by the Banking Regulation and Supervision Agency’s (“BRSA”) decision numbered 489 dated 18 October 2001. The share transfers were realised on 26 October 2001 and the bank’s name was changed to Tekfenbank Anonim Şirketi (the “Bank”), which had two main shareholders: Tekfen Holding A.Ş. with 57,30% and TST International S.A. with 40,62%.

EFG Eurobank Ergasias S.A. (“Eurobank EFG”) and Tekfen Holding A.Ş. (“Tekfen Group”) signed an agreement as of 8 May 2006, that anticipated Eurobank EFG to purchase Tekfen Group’s 70% share in Tekfenbank and Tekfen Leasing which is fully owned by Tekfenbank; where Tekfen Group retained its strategic partnership by keeping all remaining shares. On 23 February 2007, the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. (“Eurobank EFG Holding”) was approved by the BRSA and the sale was completed after the share transfer on 16 March 2007.

Under the agreement regarding the sale of Eurobank Ergasias S.A.’s Turkey operations to Burgan Bank K.P.S.C., 70% of the bank shares belonging to Eurobank EFH Holding (Luxemburg) S.A. and 29,26% of the shares belonging to Tekfen Holding A.Ş. are bought by Burgan Bank K.P.S.C. in 7 December 2012 in accordance with the Banking Regulation and Supervision Agency’s authorization, and then 99,26% of the bank shares are turned over to Burgan Bank K.P.S.C. in 21 December 2012.

At the Extraordinary Board of Directors meeting on 23 January 2013, the title of the bank has been decided to change from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş. (“the Bank”), and has been registered to the Turkish Trade Registry as of 25 January 2013.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION ABOUT THE GROUP (Continued):

II. EXPLANATIONS ABOUT THE PARENT BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE PARENT BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE PARENT BANK BELONGS TO:

The Bank’s registered capital ceiling is 2 billion full TL.

During the capital increase process following the Board of Directors’ decisions dated 15 December 2017, 14 January 2018 and 21 February 2018, rights of preference amounting to TL 285.295.806,45 has been used and the Bank’s capital has been registered as TL 1.185.295.806,45 at 26 March 2018.

There is no change in the Bank’s shareholder structure, except for the effects of the capital increase during the year.

Founded in 1977, Burgan Bank K.P.S.C. (formerly Burgan Bank S.A.K), as an affiliate of KIPCO Group (Kuwait Projects Company), one of the largest holding groups of the Middle East and North Africa (MENA) region, is among the significant banking groups in the region. Besides Kuwait, Burgan Bank Group also operates as a main shareholder with its affiliate banks in Algeria (Gulf Bank Algeria), Iraq (Bank of Baghdad) and Tunisia (Tunis International Bank).

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION ABOUT THE GROUP (Continued):

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS:

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors:	Mehmet Nazmi Erten	Chairman of Board of Directors	Undergraduate
Board of Directors Members:	Faisal M.A. Al Radwan	Vice President	Undergraduate
	Eduardo Eguren Linsen	Member	Undergraduate
	Majed E.A.A. Al Ajeel	Member	Graduate
	Adrian Alejandro Gostuski	Member	Graduate
	Mehmet Alev Göçmez	Member	Graduate
	Halil Cantekin	Member	Undergraduate
	Osama T. Al Ghoussein	Member	Undergraduate
	Ali Murat Dinç	Member and General Manager	Graduate
General Manager:	Ali Murat Dinç	Member and General Manager	Graduate
Vice General Managers:	Esra Aydın	Operations & Management Services	Undergraduate
	Mutlu Akpara	Treasury, Capital Market and Financial Institutions	Graduate
	Hüseyin Cem Öge	Corporate Banking	Graduate
	Cihan Vural	Internal Systems	Undergraduate
	Rasim Levent Ergin	Human Resources	Graduate
	Emine Pınar Kuriş	Retail Banking	PHD
	Suat Kerem Sözügüzel	Commercial Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Mehmet Yalçın	Financial Affairs	Undergraduate
Audit Committee:	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Osama T. Al Ghoussein	Member	Undergraduate

There is no share of the above individuals in the Parent Bank.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION ABOUT THE GROUP (Continued):

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES IN THE PARENT BANK:

Name/Commercial title	Share Amounts	Share percentage	Paid-in Capital	Unpaid portion
Burgan Bank K.P.S.C.	1.178.324	99,41%	99,41%	-

Based on the Principal Agreement, the Bank has 1 million founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

V. INFORMATION ON THE PARENT BANK'S SERVICE TYPE AND FIELD OF OPERATIONS:

As of 31 March 2018, the Parent Bank has 43 branches operating in Turkey (31 December 2017: 49). The Parent Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 March 2018, the Group has 1.088 (31 December 2017: 1.062) employees.

VI. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES:

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

- I. Consolidated balance sheet (Statement of financial position)
- II. Consolidated off-balance sheet commitments
- III. Consolidated statement of income
- IV. Consolidated statement of income and expense items accounted in equity
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

I. BALANCE SHEET	Note (Section Five)	(31/03/2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (Net)		1.744.534	1.490.645	3.235.179
I.1 Cash and cash equivalents		1.151.941	1.053.436	2.205.377
1.1.1 Cash and balances at Central Bank	I-a	1.138.336	1.027.460	2.165.796
1.1.2 Banks	I-c	3.295	25.976	29.271
1.1.3 Receivables from Money Markets		10.310		10.310
I.2 Financial assets at fair value through profit or loss	I-b	8.541	16.550	25.091
1.2.1 Public debt securities		7.024	15.490	22.514
1.2.2 Equity instruments		1.517		1.517
1.2.3 Other financial assets			1.060	1.060
I.3 Financial assets at fair value through other comprehensive income	I-d	174.920	106.490	281.410
1.3.1 Public debt securities		165.416	106.490	271.906
1.3.2 Equity instruments		8.770		8.770
1.3.3 Other financial assets		734		734
I.4 Financial assets measured at amortized cost	I-g		176.201	176.201
1.4.1 Public debt securities			176.201	176.201
1.4.2 Other financial assets				-
I.5 Derivative financial assets	I-l	409.183	138.045	547.228
1.5.1 Derivative financial assets at fair value through profit or loss		86.144	119.545	205.689
1.5.2 Derivative financial assets at fair value through other comprehensive income		323.039	18.500	341.539
I.6 Non-performing financial assets				
I.7 Allowance for expected credit losses (-)		51	77	128
II. LOANS (Net)	I-e	6.259.025	9.336.348	15.595.373
2.1 Loans		5.712.897	7.962.359	13.675.256
2.1.1 Loans measured at amortized cost		5.712.897	7.962.359	13.675.256
2.1.2 Loans at fair value through profit or loss				-
2.1.3 Loans at fair value through other comprehensive income				-
2.2 Receivables from leasing transactions	I-k	456.452	1.656.799	2.113.251
2.2.1 Finance lease receivables		642.185	1.944.004	2.586.189
2.2.2 Operational lease receivables				-
2.2.3 Unearned income (-)		185.733	287.205	472.938
2.3 Factoring receivables	I-e	6		6
2.3.1 Factoring receivables measured at amortized cost		6		6
2.3.2 Factoring receivables at fair value through profit or loss				-
2.3.3 Factoring receivables at fair value through other comprehensive income				-
2.4 Non-performing loans		463.465		463.465
2.5 Allowance for expected credit losses (-)	I-e	373.795	282.810	656.605
2.5.1 12-Month expected credit losses (Stage 1)		31.139	20.333	51.472
2.5.2 Significant increase in credit risk (Stage 2)		89.226	262.477	351.703
2.5.3 Credit-Impaired (Stage 3)		253.430		253.430
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	I-o	48.455		48.455
3.1 Held for sale		48.455		48.455
3.2 Held from discontinued operations				-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES				
4.1 Investments in associates (Net)	I-h			
4.1.1 Associates accounted by using equity method				-
4.1.2 Non-consolidated associates				-
4.2 Investments in subsidiaries (Net)	I-i			
4.2.1 Non-consolidated financial subsidiaries				-
4.2.2 Non-consolidated non-financial subsidiaries				-
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	I-j			
4.3.1 Jointly controlled partnerships accounted by using equity method				-
4.3.2 Non-consolidated jointly controlled partnerships				-
V. TANGIBLE ASSETS (Net)		64.050	1.243	65.293
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		44.808	843	45.651
6.1 Goodwill				-
6.2 Other		44.808	843	45.651
VII. INVESTMENT PROPERTIES (Net)	I-m			
VIII. CURRENT TAX ASSETS		8.540		8.540
IX. DEFERRED TAX ASSETS	I-n	41.387		41.387
X. OTHER ASSETS	I-p	114.797	156.084	270.881
TOTAL ASSETS		8.325.596	10.985.163	19.310.759

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. BALANCE SHEET	Note (Section Five)	(31/12/2017)		
		TL	FC	Total
ASSETS				
I. CASH AND BALANCES WITH CENTRAL BANK	I-a	1.034.438	992.902	2.027.340
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	71.256	72.683	143.939
2.1 Trading Financial Assets		71.256	72.683	143.939
2.1.1 Government Debt Securities		2.342	2.968	5.310
2.1.2 Share Certificates		-	-	-
2.1.3 Trading Derivative Financial Assets		68.812	69.584	138.396
2.1.4 Other Marketable Securities		102	131	233
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-
2.2.1 Government Debt Securities		-	-	-
2.2.2 Share Certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other Marketable Securities		-	-	-
III. BANKS	I-c	176	168.553	168.729
IV. MONEY MARKETS		11.000		11.000
4.1 Interbank Money Market Placements		-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		11.000	-	11.000
4.3 Receivables from Reverse Repurchase Agreements		-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-d	180.900	95.695	276.595
5.1 Share Certificates		8.929	-	8.929
5.2 Government Debt Securities		171.251	95.695	266.946
5.3 Other Marketable Securities		720	-	720
VI. LOANS	I-e	5.852.278	7.434.460	13.286.738
6.1 Loans		5.676.699	7.434.460	13.111.159
6.1.1 Loans to Bank’s Risk Group		21	6	27
6.1.2 Government Debt Securities		-	-	-
6.1.3 Other		5.676.678	7.434.454	13.111.132
6.2 Loans under Follow-up		394.852	-	394.852
6.3 Specific Provisions (-)		219.273	-	219.273
VII. FACTORING RECEIVABLES	I-e	6		6
VIII. HELD-TO-MATURITY SECURITIES (Net)	I-g		171.218	171.218
8.1 Government Debt Securities		-	171.218	171.218
8.2 Other Marketable Securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-h			
9.1 Consolidated Based on Equity Method		-	-	-
9.2 Unconsolidated		-	-	-
9.2.1 Financial Investments in Associates		-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-
X. SUBSIDIARIES (Net)	I-i			
10.1 Unconsolidated Financial Subsidiaries		-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
XI. JOINT VENTURES (Net)	I-j			
11.1 Consolidated Based on Equity Method		-	-	-
11.2 Unconsolidated		-	-	-
11.2.1 Financial Joint Ventures		-	-	-
11.2.2 Non-Financial Joint Ventures		-	-	-
XII. LEASE RECEIVABLES (Net)	I-k	443.385	1.528.493	1.971.878
12.1 Financial Lease Receivables		610.820	1.798.268	2.409.088
12.2 Operational Lease Receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned Income (-)		167.435	269.775	437.210
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	I-l	257.159	12.141	269.300
13.1 Fair Value Hedge		-	-	-
13.2 Cash Flow Hedge		257.159	12.141	269.300
13.3 Foreign Net Investment Hedge		-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)		70.754	1.346	72.100
XV. INTANGIBLE ASSETS (Net)		46.437	871	47.308
15.1 Goodwill		-	-	-
15.2 Other		46.437	871	47.308
XVI. INVESTMENT PROPERTY (Net)	I-m			
XVII. TAX ASSET	I-n	21.029		21.029
17.1 Current Tax Asset		6.930	-	6.930
17.2 Deferred Tax Asset		14.099	-	14.099
XVIII. ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	I-o	45.095		45.095
18.1 Held for Resale		45.095	-	45.095
18.2 Discontinued Operations		-	-	-
XIX. OTHER ASSETS	I-p	85.433	156.990	242.423
TOTAL ASSETS		8.119.346	10.635.352	18.754.698

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

I. BALANCE SHEET	Note (Section Five)	(31/03/2018)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	II-a	3.668.035	5.626.987	9.295.022
II. LOANS RECEIVED	II-c	172.710	6.150.909	6.323.619
I. MONEY MARKET FUNDS		33.121	173.819	206.940
II. MARKETABLE SECURITIES (Net)	II-d			
4.1 Bills				
4.2 Asset backed securities				
4.3 Bonds				
V. FUNDS				
5.1 Borrower funds				
5.2 Other				
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
VII. DERIVATIVE FINANCIAL LIABILITIES	II-b	127.275	82.442	209.717
7.1 Derivative financial liabilities at fair value through profit or loss		80.783	72.320	153.103
7.2 Derivative financial liabilities at fair value through other comprehensive income		46.492	10.122	56.614
VIII. FACTORING PAYABLES				
IX. LEASE PAYABLES	II-f			
9.1 Finance lease payables				
9.2 Operating lease payables				
9.3 Other				
9.4 Deferred finance lease expenses (-)				
X. PROVISIONS	II-h	45.169	11.624	56.793
10.1 Provision for restructuring				
10.2 Reserves for employee benefits		25.532		25.532
10.3 Insurance technical reserves (Net)				
10.4 Other provisions		19.637	11.624	31.261
XI. CURRENT TAX LIABILITIES	II-i	30.044		30.044
XII. DEFERRED TAX LIABILITIES				
LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	II-j			
13.1 Held for sale				
13.2 Related to discontinued operations				
XIV. SUBORDINATED DEBT	II-k		1.194.551	1.194.551
14.1 Loans			1.194.551	1.194.551
14.2 Other debt instruments				
XV. OTHER LIABILITIES	II-e	140.655	449.834	590.489
XVI. SHAREHOLDERS' EQUITY	II-l	1.393.087	10.497	1.403.584
16.1 Paid-in capital		1.185.296		1.185.296
16.2 Capital reserves		1.597		1.597
16.2.1 Equity share premiums				
16.2.2 Share cancellation profits				
16.2.3 Other capital reserves		1.597		1.597
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		14.934		14.934
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		43.857	10.497	54.354
16.5 Profit reserves		273.197		273.197
16.5.1 Legal reserves		21.402		21.402
16.5.2 Statutory reserves				
16.5.3 Extraordinary reserves		251.795		251.795
16.5.4 Other profit reserves				
16.6 Profit or loss		(125.794)		(125.794)
16.6.1 Prior years' profits or losses		(174.343)		(174.343)
16.6.2 Current period net profit or loss		48.549		48.549
16.7 Minority share				
TOTAL EQUITY AND LIABILITIES		5.610.096	13.700.663	19.310.759

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

**BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. BALANCE SHEET	Note (Section Five)	(31/12/2017)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	II-a	3.488.744	5.383.727	8.872.471
1.1 Deposits of Bank’s Risk Group		3.773	27.375	31.148
1.2 Other		3.484.971	5.356.352	8.841.323
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	II-b	70.586	90.192	160.778
III. BORROWINGS	II-c	205.805	5.876.957	6.082.762
IV. MONEY MARKETS		57.263	198.953	256.216
4.1 Funds from Interbank Money Market		-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		36.971	-	36.971
4.3 Funds Provided Under Repurchase Agreements		20.292	198.953	219.245
V. MARKETABLE SECURITIES ISSUED (Net)	II-d			
5.1 Bills		-	-	-
5.2 Asset Backed Securities		-	-	-
5.3 Bonds		-	-	-
VI. FUNDS				
6.1 Borrower Funds		-	-	-
6.2 Other		-	-	-
VII. MISCELLANEOUS PAYABLES		54.526	299.381	353.907
VIII. OTHER LIABILITIES	II-e	49.359	4.508	53.867
IX. FACTORING PAYABLES				
X. LEASE PAYABLES (Net)	II-f			
10.1 Financial Lease Payables		-	-	-
10.2 Operational Lease Payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	II-g	40.807	13.168	53.975
11.1 Fair Value Hedge		-	-	-
11.2 Cash Flow Hedge		40.807	13.168	53.975
11.3 Foreign Net Investment Hedge		-	-	-
XII. PROVISIONS	II-h	108.984	89.083	198.067
12.1 General Loan Loss Provision		42.716	64.850	107.566
12.2 Restructuring Provisions		-	-	-
12.3 Reserve for Employee Rights		36.513	-	36.513
12.4 Insurance Technical Provisions (Net)		-	-	-
12.5 Other Provisions		29.755	24.233	53.988
XIII. TAX LIABILITY	II-i	69.598		69.598
13.1 Current Tax Liability		36.117	-	36.117
13.2 Deferred Tax Liability		33.481	-	33.481
XIV. PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	II-j			
14.1 Held for Resale		-	-	-
14.2 Discontinued Operations		-	-	-
XV. SUBORDINATED LOANS	II-k		1.140.582	1.140.582
XVI. SHAREHOLDERS' EQUITY	II-l	1.506.245	6.230	1.512.475
16.1 Paid-in Capital		1.185.000	-	1.185.000
16.2 Capital Reserves		46.635	6.230	52.865
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Marketable Securities Valuation Reserve		(2.366)	(143)	(2.509)
16.2.4 Tangible Assets Revaluation Reserve		18.075	-	18.075
16.2.5 Intangible Assets Revaluation Reserve		-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-
16.2.7 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-
16.2.8 Hedging Reserves (Effective portion)		33.883	6.373	40.256
16.2.9 Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-
16.2.10 Other Capital Reserves		(2.957)	-	(2.957)
16.3 Profit Reserves		164.762	-	164.762
16.3.1 Legal Reserves		21.342	-	21.342
16.3.2 Status Reserves		-	-	-
16.3.3 Extraordinary Reserves		143.420	-	143.420
16.3.4 Other Profit Reserves		-	-	-
16.4 Income or (Loss)		109.848	-	109.848
16.4.1 Prior Years' Income or (Loss)		-	-	-
16.4.2 Current Year Income or (Loss)		109.848	-	109.848
16.5 Minority Shares		-	-	-
TOTAL LIABILITIES		5.651.917	13.102.781	18.754.698

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT
31 MARCH 2018 AND 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

II.	OFF-BALANCE SHEET	Note (Section Five)	(31/03/2018)			(31/12/2017)		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I-II+III)		8.160.068	39.717.250	47.877.318	6.458.999	29.277.926	35.736.925
I.	GUARANTEES AND WARRANTIES	III-a-2-3	727.922	1.706.239	2.434.161	759.513	1.359.136	2.118.649
1.1	Letters of Guarantee		726.022	1.069.265	1.795.287	756.055	983.997	1.740.052
1.1.1	Guarantees Subject to State Tender Law		29.185	2.724	31.909	7.251	4.124	11.375
1.1.2	Guarantees Given for Foreign Trade Operations							
1.1.3	Other Letters of Guarantee		696.837	1.066.541	1.763.378	748.804	979.873	1.728.677
1.2	Bank Acceptances		1.900	95.110	97.010	3.430	104.336	107.766
1.2.1	Import Letter of Acceptance		1.900	95.110	97.010	3.430	104.336	107.766
1.2.2	Other Bank Acceptances							
1.3	Letters of Credit			451.189	451.189		234.673	234.673
1.3.1	Documentary Letters of Credit			451.189	451.189		234.673	234.673
1.3.2	Other Letters of Credit							
1.4	Prefinancing Given as Guarantee							
1.5	Endorsements							
1.5.1	Endorsements to the Central Bank of the Republic of Turkey							
1.5.2	Other Endorsements							
1.6	Securities Issue Purchase Guarantees							
1.7	Factoring Guarantees							
1.8	Other Guarantees			90.675	90.675		36.130	36.130
1.9	Other Collaterals							
II.	COMMITMENTS	III-a-1	724.681	571.507	1.296.188	526.202	143.301	669.503
2.1	Irrevocable Commitments		724.681	571.507	1.296.188	526.202	143.301	669.503
2.1.1	Asset Purchase and Sales Commitments		168.509	571.507	740.016	48.666	143.301	191.967
2.1.2	Deposit Purchase and Sales Commitments							
2.1.3	Share Capital Commitments to Associates and Subsidiaries					14.997		14.997
2.1.4	Commitments for Loan Limits		160.966		160.966	109.606		109.606
2.1.5	Securities Issue Brokerage Commitments							
2.1.6	Commitments for Reserve Deposit Requirements							
2.1.7	Commitments for Cheques		380.344		380.344	334.480		334.480
2.1.8	Tax and Fund Liabilities from Export Commitments							
2.1.9	Commitments for Credit Card Limits		14.858		14.858	18.445		18.445
2.1.10	Promotion Commitments for Credit Cards and Banking Services		4		4	8		8
2.1.11	Receivables from Short Sale Commitments of Marketable Securities							
2.1.12	Payables for Short Sale Commitments of Marketable Securities							
2.1.13	Other Irrevocable Commitments							
2.2	Revocable Commitments							
2.2.1	Revocable Commitments for Loan Limits							
2.2.2	Other Revocable Commitments							
III.	DERIVATIVE FINANCIAL INSTRUMENTS		6.707.465	37.439.504	44.146.969	5.173.284	27.775.489	32.948.773
3.1	Hedging Derivative Financial Instruments		946.115	4.660.858	5.606.973	885.008	3.717.356	4.602.364
3.1.1	Transactions for Fair Value Hedge							
3.1.2	Transactions for Cash Flow Hedge		946.115	4.660.858	5.606.973	885.008	3.717.356	4.602.364
3.1.3	Transactions for Foreign Net Investment Hedge							
3.2	Trading Derivative Financial Instruments		5.761.350	32.778.646	38.539.996	4.288.276	24.058.133	28.346.409
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.811.624	2.153.435	3.965.059	775.618	1.126.557	1.902.175
3.2.1.1	Forward Foreign Currency Transactions-Buy		616.363	1.368.315	1.984.678	467.722	488.540	956.262
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.195.261	785.120	1.980.381	307.896	638.017	945.913
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		340.903	16.456.870	16.797.773	1.084.832	16.884.296	17.969.128
3.2.2.1	Foreign Currency Swap-Buy		185.638	3.782.469	3.968.107	80.961	4.948.530	5.029.491
3.2.2.2	Foreign Currency Swap-Sell		155.265	3.765.679	3.920.944	1.003.871	4.076.216	5.080.087
3.2.2.3	Interest Rate Swap-Buy			4.454.361	4.454.361		3.929.775	3.929.775
3.2.2.4	Interest Rate Swap-Sell			4.454.361	4.454.361		3.929.775	3.929.775
3.2.3	Foreign Currency, Interest rate and Securities Options		3.608.025	14.168.341	17.776.366	2.427.826	6.047.280	8.475.106
3.2.3.1	Foreign Currency Options-Buy		1.764.766	7.127.054	8.891.820	1.259.407	2.980.038	4.239.445
3.2.3.2	Foreign Currency Options-Sell		1.843.259	7.041.287	8.884.546	1.168.419	3.067.242	4.235.661
3.2.3.3	Interest Rate Options-Buy							
3.2.3.4	Interest Rate Options-Sell							
3.2.3.5	Securities Options-Buy							
3.2.3.6	Securities Options-Sell							
3.2.4	Foreign Currency Futures							
3.2.4.1	Foreign Currency Futures-Buy							
3.2.4.2	Foreign Currency Futures-Sell							
3.2.5	Interest Rate Futures							
3.2.5.1	Interest Rate Futures-Buy							
3.2.5.2	Interest Rate Futures-Sell							
3.2.6	Other		798		798			
3.3	Other							
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		42.696.611	47.960.576	90.657.187	35.877.172	27.091.207	62.968.379
IV.	ITEMS HELD IN CUSTODY		1.861.738	176.040	2.037.778	1.740.277	156.878	1.897.155
4.1	Customer Fund and Portfolio Balances							
4.2	Investment Securities Held in Custody		645.804	78.526	724.330	589.876	61.908	651.784
4.3	Cheques Received for Collection		1.187.769	81.840	1.269.609	1.126.344	63.782	1.190.126
4.4	Commercial Notes Received for Collection		28.165	15.674	43.839	24.057	23.000	47.057
4.5	Other Assets Received for Collection							
4.6	Assets Received for Public Offering							
4.7	Other Items Under Custody						8.188	8.188
4.8	Custodians							
V.	PLEDGES RECEIVED		40.834.873	47.783.230	88.618.103	34.136.895	26.933.082	61.069.977
5.1	Marketable Securities		331		331	1.031		1.031
5.2	Guarantee Notes		21.604.429	13.533.526	35.137.955	21.097.082	12.190.553	33.287.635
5.3	Commodity		1.013.357	510	1.013.867	1.022.137	7.706	1.029.843
5.4	Warranty							
5.5	Immovable		12.574.171	13.764.367	26.338.538	11.316.848	11.273.823	22.590.671
5.6	Other Pledged Items		5.642.585	20.484.827	26.127.412	699.797	3.461.000	4.160.797
5.7	Pledged Items-Depository							
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES			1.306	1.306		1.247	1.247
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			50.856.679	87.677.826	138.534.505	42.336.171	56.369.133	98.705.304

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED INCOME STATEMENT AS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III. INCOME STATEMENT	Note (Section Five)	01/01/2018-31/03/2018
INCOME AND EXPENSE ITEMS		
I. INTEREST INCOME	IV-a	493.453
1.1 Interest on loans		353.672
1.2 Interest received from reserve deposits		6.879
1.3 Interest received from banks		9.918
1.4 Interest received from money market transactions		2.789
1.5 Interest received from marketable securities portfolio		8.198
1.5.1 Financial assets at fair value through profit or loss		535
1.5.2 Financial assets at fair value through other comprehensive income		5.600
1.5.3 Financial assets measured at amortized cost		2.063
1.6 Finance lease income		42.623
1.7 Other interest income	IV-k	69.374
II. INTEREST EXPENSES (-)	IV-b	329.344
2.1 Interest on deposits		178.553
2.2 Interest on funds borrowed		74.595
2.3 Interest on money market transactions		2.836
2.4 Interest on securities issued		-
2.5 Other interest expenses	IV-k	73.360
III. NET INTEREST INCOME/EXPENSE (I - II)		164.109
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		14.632
4.1 Fees and commissions received		18.674
4.1.1 Non-cash loans		5.131
4.1.2 Other	IV-k	13.543
4.2 Fees and commissions paid (-)		4.042
4.2.1 Non-cash loans (-)		105
4.2.2 Other (-)	IV-k	3.937
V. PERSONNEL EXPENSES (-)		41.071
VI. DIVIDEND INCOME		-
VII. TRADING PROFIT/LOSS (Net)	IV-c	6.713
7.1 Profit/losses from capital market transactions		1.516
7.2 Profit/losses from derivative financial transactions		(1.349)
7.3 Foreign exchange profit/losses		6.546
VIII. OTHER OPERATING INCOME	IV-d	8.426
IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		152.809
X. ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	IV-e	38.777
XI. OTHER OPERATING EXPENSES (-)	IV-f	49.986
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		64.046
XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-
XV. NET MONETARY POSITION GAIN/LOSS		-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	IV-g	64.046
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	IV-h	(15.497)
17.1 Current tax provision		2.253
17.2 Expense effect of deferred tax (+)		44.886
17.3 Income effect of deferred tax (-)		31.642
XVII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	IV-i	48.549
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from assets held for sale		-
19.2 Profit from sale of associates, subsidiaries and joint ventures		-
19.3 Other income from discontinued operations		-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1 Expenses on assets held for sale		-
20.2 Losses from sale of associates, subsidiaries and joint ventures		-
20.3 Other expenses from discontinued operations		-
XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 Current tax provision		-
22.2 Expense effect of deferred tax (+)		-
22.3 Income effect of deferred tax (-)		-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)	IV-j	48.549
24.1 Group's profit/loss		48.549
24.2 Minority shares		-
Profit/Loss per share		0,410

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED INCOME STATEMENT AS AT 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

III. INCOME STATEMENT	Note (Section Five)	01/01/2017-31/03/2017
INCOME AND EXPENSE ITEMS		
I. INTEREST INCOME	IV-a	361.169
1.1 Interest on Loans		248.215
1.2 Interest Received from Reserve Requirements		3.753
1.3 Interest Received from Banks		6.392
1.4 Interest Received from Money Market Transactions		1.650
1.5 Interest Received from Marketable Securities Portfolio		13.995
1.5.1 Trading Financial Assets		1.402
1.5.2 Financial Assets at Fair Value through Profit or Loss		-
1.5.3 Available-for-sale Financial Assets		10.726
1.5.4 Held-to-maturity Investments		1.867
1.6 Financial Lease Income		27.539
1.7 Other Interest Income	IV-k	59.625
II. INTEREST EXPENSE (-)	IV-b	240.478
2.1 Interest on Deposits		119.133
2.2 Interest on Funds Borrowed		43.319
2.3 Interest Expense on Money Market Transactions		9.101
2.4 Interest on Securities Issued		1.436
2.5 Other Interest Expenses	IV-k	67.489
III. NET INTEREST INCOME (I + II)		120.691
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		13.542
4.1 Fees and Commissions Received		15.545
4.1.1 Non-cash Loans		4.426
4.1.2 Other	IV-k	11.119
4.2 Fees and Commissions Paid (-)		2.003
4.2.1 Non-cash Loans (-)		151
4.2.2 Other (-)	IV-k	1.852
V. DIVIDEND INCOME		-
VI. TRADING INCOME/(LOSS) (Net)	IV-c	8.159
6.1 Trading Gains/(Losses) on Securities		2.409
6.2 Trading Gains/(Losses) on Derivative Financial Instruments		559
6.3 Foreign Exchange Gains/(Losses)		5.191
VII. OTHER OPERATING INCOME	IV-d	5.506
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		147.898
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-e	28.470
X. OTHER OPERATING EXPENSES (-)	IV-f	90.645
XI. NET OPERATING INCOME/(LOSS) (VIII+IX+X)		28.783
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-g	28.783
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-h	7.919
16.1 Current Tax Provision		2.889
16.2 Deferred Tax Provision		5.030
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)	IV-i	20.864
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Income from Non-Current Assets Held for Resale		-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-
18.3 Other Income from Discontinued Operations		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1 Expense from Non-Current Assets Held for Resale		-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-
19.3 Other Expenses from Discontinued Operations		-
XX. INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-
21.1 Current tax provision		-
21.2 Deferred tax provision		-
XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)		-
XXIII. NET INCOME/(LOSS) (XVII+XXII)	IV-j	20.864
Earnings/(Loss) per share (1.000 nominal in TL full)		0,232

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

**BURGAN BANK A.Ş.
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE 31 MARCH 2018**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY		31/03/2018
I.	CURRENT PERIOD INCOME / LOSS	48.549
II.	OTHER COMPREHENSIVE INCOME	16.607
2.1	Other comprehensive income not to be reclassified to profit or loss in subsequent periods.	-
2.1.1	Revaluation Differences of Tangible Assets	-
2.1.2	Revaluation Differences of Intangible Assets	-
2.1.3	Defined benefit plans re-measurement gains / loss	-
2.1.4	Other comprehensive income not to be reclassified to profit or loss	-
2.1.5	Income tax relating to components of other comprehensive income not to be reclassified to profit or loss	-
2.2	Other comprehensive income to be reclassified to profit or loss in subsequent periods:	16.607
2.2.1	Exchange differences on translation of foreign operations	457
2.2.2	Gains or losses on valuation or reclassification arising from financial assets at fair value through other comprehensive income	(5.423)
2.2.3	Gains or losses arising on cash flow hedges	26.128
2.2.4	Gains or losses arising on net investment hedges	-
2.2.5	Other comprehensive income to be reclassified to profit or loss	-
2.2.6	Income tax relating to components of other comprehensive income to be reclassified to profit or loss	(4.555)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	65.156

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	31/03/2017
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	4.560
II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-
III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-
IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-
V. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	5.633
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS(*)	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	169
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(2.039)
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	8.323
XI. CURRENT PERIOD INCOME/LOSS	20.864
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	691
11.2 Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
11.3 Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
11.4 Other	20.173
XII. TOTAL (INCOME)/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	29.187

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Other comprehensive income not to be reclassified to profit or loss			Other comprehensive income to be reclassified to profit or loss								
CURRENT PERIOD 31/03/2018	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Reserve	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or Loss	Current Period Net Income or Loss	Total Equity Except from Minority Interest	Minority Interest	Total Shareholder's Equity
I. Prior Period End Balance (31/12/2017)	II-I	1.185.000	-	-	184	18.075	(3.141)	-	1.705	(4.214)	40.256	164.762	109.848	-	1.512.475	-	1.512.475
II. Correction according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	-	(174.343)
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	-	(174.343)
III. New Balance (I+II)		1.185.000	-	-	184	18.075	(3.141)	-	1.705	(4.214)	40.256	164.762	(64.495)	-	1.338.132	-	1.338.132
IV. Total Comprehensive Income		-	-	-	-	-	-	-	457	(4.230)	20.380	-	-	48.549	65.156	-	65.156
V. Capital Increase in Cash		296	-	-	-	-	-	-	-	-	-	-	-	-	296	-	296
VI. Capital Increase in Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Gain or Loss related to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	-	-
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Amount Transferred to Reserves		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+...+XVIII)		1.185.296	-	-	1.597	18.075	(3.141)	-	2.162	(8.444)	60.636	273.197	(174.343)	48.549	1.403.584	-	1.403.584

1.Fixed assets revaluations increases/decreases

2.Accumulated remeasurement gains/losses of defined benefits

3.Other (the share of other comprehensive income of the investments accounted for by the equity method can not be classified as profit / loss and the accumulated amount of other comprehensive income that will not be reclassified as other profit/loss)

4.Foreign currency translation differences

5.Accumulated revaluation and or classification gains / losses on financial assets at fair value through other comprehensive income

6. Other (Cash flow hedging gains/(losses), share of other comprehensive income of equity method investees classified as profit / loss and accumulated other comprehensive income to be reclassified as other profit or loss)

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 MARCH 2017

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
PRIOR PERIOD 31/03/2017	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Interest	Minority Interest	Total Shareholders' Equity
I. Prior Period End Balance(31/12/2016)	II-I	900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	-	1.092.558
II. Corrections according to TAS 8																			
2.1 Effect of Corrections of Errors																			
2.2 Effect of Amendments in Accounting Policies																			
III. New Balance (I + II)		900.000				20.178		72.911	(2.375)	71.673		(7.871)	16.127		21.915		1.092.558		1.092.558
Changes in the Period																			
IV. Increase/Decrease due to the Merger																			
V. Marketable Securities Valuation Differences												3.648					3.648		3.648
VI. Hedging Reserves (Effective Portion)															4.506		4.506		4.506
6.1 Cash Flow Hedge															4.506		4.506		4.506
6.2 Foreign Investment for Purpose of Hedge																			
VII. Revaluation Differences of Tangible Assets																			
VIII. Revaluation Differences of Intangible Assets																			
IX. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures																			
X. Foreign Exchange Difference																			
XI. Changes due to the Disposal of Assets																			
XII. Changes due to the Reclassification of the Assets																			
XIII. Effects of Changes in Equity of Investments in Associates												169					169		169
XIV. Capital Increase																			
14.1 Cash																			
14.2 Internal Resources																			
XV. Share Premium																			
XVI. Share Cancellation Profits																			
XVII. Adjustment to Share Capital																			
XVIII. Other																			
XIX. Current Year Income or Loss										20.864							20.864		20.864
XX. Profit Distribution						1.164		70.509		(71.673)									
20.1 Dividend Paid																			
20.2 Transfers to Reserves						1.164		70.509		(71.673)									
20.3 Other																			
Period End Balance (III+IV+...+XX)		900.000				21.342		143.420	(2.375)	20.864		(4.054)	16.127		26.421		1.121.745		1.121.745

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VI. CASH FLOW STATEMENT	Note	Current Period 31/03/2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		384.399
1.1.1 Interest Received		420.679
1.1.2 Interest Paid		(333.241)
1.1.3 Dividend Received		-
1.1.4 Fees and Commissions Received		25.689
1.1.5 Other Income		-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		17.249
1.1.7 Payments to Personnel and Service Suppliers		(6.593)
1.1.8 Taxes Paid		(12.288)
1.1.9 Other		272.904
1.2 Changes in Operating Assets and Liabilities		(318.322)
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(19.540)
1.2.2 Net (Increase)/Decrease in Due from Banks and Other Financial Institutions		(5.184)
1.2.3 Net (Increase)/Decrease in Loans		(676.754)
1.2.4 Net (Increase)/Decrease in Other Assets		(21.610)
1.2.5 Net (Increase)/Decrease in Bank Deposits		303.243
1.2.6 Net Increase/(Decrease) in Other Deposits		115.877
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net Increase/(Decrease) in Funds Borrowed		302.154
1.2.9 Net Increase/(Decrease) in Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(316.508)
I. Net Cash Provided from Banking Operations		66.077
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		(12.818)
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(2.283)
2.4 Disposals of Property and Equipment		8.737
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(1.811)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		(17.461)
2.7 Cash Paid for Purchase of Investment Securities		-
2.8 Cash Obtained from Sale of Investment Securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities		296
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment Of Funds Borrowed and Securities Issued		-
3.3 Issued Capital Instruments		296
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(62.381)
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		(8.826)
VI. Cash and Cash Equivalents at Beginning of the Period		1.262.144
VII. Cash and Cash Equivalents at end of the Period		1.253.318

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VI. CASH FLOW STATEMENT	Note	Prior Period 31/03/2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(70.136)
1.1.1 Interest Received		328.161
1.1.2 Interest Paid		(241.333)
1.1.3 Dividend Received		-
1.1.4 Fees and Commissions Received		14.237
1.1.5 Other Income		-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		22.979
1.1.7 Payments to Personnel and Service Suppliers		(43.314)
1.1.8 Taxes Paid		(1.110)
1.1.9 Other		(149.756)
1.2 Changes in Operating Assets and Liabilities		424.803
1.2.1 Net (Increase)/Decrease in Trading Securities		(20.399)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3 Net (Increase)/Decrease in Due from Banks		(54.501)
1.2.4 Net (Increase)/Decrease in Loans		(265.836)
1.2.5 Net (Increase)/Decrease in Other Assets		(114.245)
1.2.6 Net Increase/(Decrease) in Bank Deposits		(6.900)
1.2.7 Net Increase/(Decrease) in Other Deposits		711.857
1.2.8 Net Increase/(Decrease) in Funds Borrowed		138.040
1.2.9 Net Increase/(Decrease) in Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities		36.787
I. Net Cash Provided from Banking Operations		354.667
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		2.990
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(3.876)
2.4 Disposals of Property and Equipment		1.389
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(50.651)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		56.128
2.7 Cash Paid for Purchase of Investment Securities		-
2.8 Cash Obtained from Sale of Investment Securities		-
2.9 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities		(49.445)
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment Of Funds Borrowed and Securities Issued		(49.445)
3.3 Issued Capital Instruments		-
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		20.459
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		328.671
VI. Cash and Cash Equivalents at Beginning of the Period		749.561
VII. Cash and Cash Equivalents at end of the Period		1.078.232

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes form an integral part of these financial statements.

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION:

a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures numbered 5411 Regarding Banks' Accounting Application and Keeping Documents:

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by BRSA, Turkish Commercial Code and Tax Legislation. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012 and changes in the related communiqué.

The Parent Bank is expressing its accounting entries in Turkish Lira, in accordance with the Banking Law, Turkish Trade Law and the Turkish Tax Legislation.

The consolidated financial statements expressed in TL were prepared with the cost-based method and were subject to inflation correction until 31 December 2004, except for the financial assets, liabilities and buildings, which were carried at fair value.

Amounts in the consolidated financial statements and related notes and explanations are expressed in thousand of Turkish Lira unless otherwise stated.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Parent Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

b. Explanations on changes in accounting policies and financial statement presentation:

Accounting policies and valuation principles used in the preparation of the unconsolidated financial statements are determined in accordance with the regulations, Communiqués, interpretations and legislations related to accounting and financial reporting principles published by the BRSA, and in case where a specific regulation is not made by BRSA, TAS/TFRS (all "BRSA Accounting and Financial Reporting Legislation") and related appendices and interpretations are put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA"). In accordance with the transition rules of TFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for 2018 and 2017 are separately presented in the following notes; The accounting policies for 2017 are included in note XXX. Impacts of the transition to TFRS 9 and its adoption are disclosed in note XXIX.

**(CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE)**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

I. BASIS OF PRESENTATION (Continued):

c. Items subject to different accounting policies in the preparation of consolidated financial statements:

None.

Additional paragraph for convenience translation into English:

The effect of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS:

The general strategy of the Group is using financial instruments to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. Additionally, the Group can also sustain a lengthened liability structure by using long-term borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities are being held at minimum levels and the exposed currency risk is followed within the levels determined by the Board of Directors, considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank’s foreign currency bid rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of “Foreign exchange gains or losses”.

As of 31 March 2018, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,9489 and TL 4,8673 for USD and EURO respectively.

If the functional currency of the Group is different from its reporting currency, all assets and liabilities in the reporting currency are translated using the foreign exchange rate at the balance sheet date, and the income and expenses in the income statement are translated using the average foreign exchange rate (this average foreign exchange rate is used when the rate is not far from the cumulative effect of the exchange rate of the transaction, in such a case the income and expenses are translated at the exchange rate of the transaction date) and the resulting foreign currency conversion differences are presented as a separate item under equity. The currency of the Group is not the currency of a high inflationary economy.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES:

Consolidated financial statements are prepared in accordance with the “Turkish Accounting Standard for Consolidated Financial Statements” (“TFRS 10”). Consolidation principles for subsidiaries:

Subsidiaries are entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method on the grounds of materiality principle considering their operations, asset and equity sizes. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control depicts the significant influence the Parent Bank has over an investment to a legal entity, the varying yield the Parent Bank receives due to its relationship with this entity or the rights of the Parent Bank entitled over this yield and the power to impact the yield that the invested legal entity will generate.

In the full consolidation method, 100% of subsidiaries’ assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank’s assets, liabilities, income, expense and off-balance sheet items.

The carrying amount of the Group’s investment in each subsidiary and the Group’s portion of the cost value of the capital of each subsidiary are eliminated. Intergroup balances and intergroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group. Minority interests are presented in the consolidated balance sheet, in the shareholder’s equity. Minority interests are presented separately in the Group’s income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent Bank.

The Group has no joint ventures as of 31 March 2018 and 31 December 2017.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Group are currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Group classifies its currency forwards, swaps, options and futures as transactions at “Fair Value Through Profit or Loss” in accordance with TFRS 9 principles. Derivative transactions are recorded in accordance with their fair value on the contract date. Also, liabilities and receivables arising from derivative instruments are followed in the off-balance sheet accounts from their contractual values.

Derivative instruments are measured at their fair values in the periods following their recording and are disclosed under assets or liabilities in the “Derivative Financial Assets at Fair Value Through Profit or Loss” section according to whether their fair value is positive or negative. Differences in the fair value of trading derivative instruments are reflected to the income statement. The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS (Continued):

Embedded derivatives are separated from the host contract and accounted for as a derivative under TFRS 9 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and are accounted according to the standard applied to the host contract.

As of 31 March 2018, The Group applies cash flow hedge accounting through cross and interest currency swaps to protect against changes in interest rates of FC deposits which have average maturities of up to 3 months. The Group implements effectiveness tests at the balance sheet dates for hedge accounting, the effective parts are accounted as defined in TFRS 9, on the financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with the income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized. The renewal of a financial hedging instrument or the transfer of a financial hedging instrument to another financial hedging instrument does not eliminate the hedging relationship, if the financial hedging instrument is part of the hedging strategy in accordance with TFRS 9.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income statement by using the effective interest method. Starting from 1 January 2018, the Group has started accruing interest accrual on non-performing loans. Net book value of non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with the effective interest rate and recognized with the gross book value of the non-performing loan.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

Fees and commission income/expenses are primarily recognized on an accrual basis or “Effective interest method” according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Group classifies and accounts its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 "Classification and Measurement of Financial Instruments" published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

The Group recognizes a financial asset into the financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, the business model determined by the Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to earnings, losses or interests that were previously recorded in the financial statements.

a. Financial assets at fair value through profit or loss:

"Financial Assets at Fair Value Through Profit or Loss" are financial assets other than the ones that are managed with business models that aim to hold contractual cash flows in order to collect them and the ones that are managed with business models that aim to collect both the contractual cash flows and cash flows arising from the sale of the assets; If the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at a certain date; That are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. The gains and losses arising from the conducted valuations are included in profit/loss accounts.

b. Financial assets at fair value through other comprehensive income:

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial assets with contractual terms that lead to cash flows which are solely payments of principal and interest at certain dates are classified as financial assets at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are re-measured at fair value. Interest income calculated with the effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. Unrealized gains and losses, arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity. When the mentioned marketable securities are collected or sold, the accumulated losses through fair value are reflected on the income statement.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and/or whose fair values can be reliably measured are carried at their fair value. Equity securities that do not have a quoted market price in an active market and/or whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition, an entity can make an irrevocable decision, by choosing to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in other comprehensive income. If this choice is made, the dividends from the investment are taken into the financial statements as profit or loss.

c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at their acquisition cost including the transaction costs which reflect the fair value of those instruments and are subsequently recognized at “Amortized Cost” by using “Effective Interest (Internal Efficiency) Rate” method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

d. Loans

Loans are financial assets that have fixed or determinable payment terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Effective Interest Rate (Internal Rate of Return)” method.

The Group’s loans are recorded under the “Measured at Amortized Cost” account.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

The Group allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

In accordance with the Communiqué related to “Procedures and Principles regarding Classification of Loans and Allowances Allocated for Such Loans” published in the Official Gazette no. 29750 dated 22 June 2016, the Bank has started to allocate a loss allowance for expected credit losses on financial assets and loans measured at amortized cost in accordance with TFRS 9 as of 1 January 2018. In this context, as of 31 December 2017, the credit loss allowance method within the framework of the BRSA’s related legislation has been changed to the loss allowance for expected credit losses model with the implementation of TFRS 9. The predictions of expected credit losses include credible information which is unbiased, probability-weighted, supportable about past events, current conditions, and forecasts of future economic conditions.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued):

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

These are the financial assets at initial recognition or financial assets that do not have a significant increase in credit risk since their initial recognition. Impairment for credit risk for these assets is accounted in the amount of 12-month expected credit losses.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is accounted on the basis of the instrument’s lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” and “Financial assets measured at amortized cost” according to the investment purposes of the Group and are measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Funds Provided under Repurchase Agreements” in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the effective interest method.

Funds given against securities purchased under agreements (“Reverse repo”) to resell are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the “effective interest method”. The Group has no securities lending transactions.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XI. EXPLANATIONS ON TANGIBLE ASSETS THAT ARE HELD FOR RESALE, DISCONTINUED OPERATIONS AND LIABILITIES REGARDING THOSE ASSETS:

The assets that are classified as tangible assets held for sale, are measured at the lower of their book value and their fair value calculated by deducting the expenses incurred for sale, these assets are presented separately on the balance sheet. In order to classify assets (or an asset group held for resale) as held for sale, the assets must be readily available for sale under the frequent circumstances and usual conditions of the sale, and the probability of sale should be high. In order for the probability of sale to be high, a plan should be prepared regarding the sale of an asset held for sale (or a group of assets held for resale), and an active program to determine the buyers must be initiated by the proper governing bodies, in order to complete the plan for the sale of assets. Furthermore, the asset held for sale (or a group of assets held for resale) must be actively marketed with a price in accordance with the fair value of the asset held for sale. Various incidents and circumstances can extend the completion period of the sale by more than one year. If the related delay has occurred due to incidents and circumstances that are outside the control of the management, in the event that there is sufficient evidence that the entity's sales plan for the sale of the related asset held for sale (or a group of assets held for resale) is continuing, these assets are again classified as tangible assets held for sale.

The Group has no discontinued operations.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill

As of 31 March 2018, the Bank has no goodwill (31 December 2017: None).

b. Other intangible assets

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for value decreases, if any.

Intangibles are amortized over their estimated useful lives using the straight-line amortization method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit of the asset and differs from 3 years to 15 years.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment are measured at their initial cost when recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

The Group has adopted the “revaluation method” in accordance with the “Communiqué Regarding the Principles and Procedures for the Tangible Assets (“TAS 16”)” for its buildings. Independent expert appraisal values determined by independent experts are presented in the financial statements.

Depreciation is calculated over the cost of property and equipment using the straight-line method. The depreciation rates are stated below:

Buildings	2%
Movables, Movables Acquired by Financial Leasing	2-50%

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

When the carrying amount of an asset is greater than its estimated “Recoverable amount”, it is written down to its “Recoverable amount” and the provision for the diminution value is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the “lower of the fair value of the leased asset and the present value of the amount of cash consideration given for the leased asset.

Leased assets are included in the property and equipment and these assets are depreciated their useful lives into consideration. If impairment is detected in the value of the leased asset, a “Provision for value decrease” is recognized. Liabilities arising from the leasing transactions are included in “Financial Lease Payables” on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Group realizes financial leasing transactions in the capacity of “lessor” by means of Burgan Finansal Kiralama A.Ş. which is the consolidated subsidiary of the Group. The asset subject to financial leasing is disclosed as a net financial leasing receivable in the balance sheet. The interest income is determined in a way to form a fixed revenue return ratio using net investment method related to leased asset of the lessor, and the portion of interest income which does not take part in the related term is followed under unearned interest income account.

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

The Group allocates specific provisions for lease receivables based on the assessments and estimates of the management, by considering the current applicable communiqué.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities except for the specific and general provisions recognized for loans and other receivables are accounted in accordance with the “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (“TAS 37”).

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the “Matching principle”. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

Obligations related to employee termination and vacation rights are accounted for in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in the Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Group, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement have been eliminated, which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Group has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Income and Expense Items Accounted in Equity" and presented in “Other Reserves” item in the Shareholders Equity section.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

Many clauses of Corporate Tax Law No. 5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 22% for 2018 (2017: 20%). The corporate tax rate is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

In accordance with the Temporary Article 10 and Article 32 paragraph 1 added to the Corporate Tax Law at 05 December 2017, the Corporate Tax rate which was 20% will be applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly on their corporate income with the current rate. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties before 05 December 2017, the 50% portion of the capital gains derived from the sale of equity investments and immovable properties after 05 December 2017 are tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for 5 years. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to 5 years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax:

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XIX. EXPLANATIONS ON BORROWINGS:

The Group’s fund resources in essence consist of borrowing from foreign financial institutions, issued securities and money market debt.

Trading and derivative financial liabilities are valued with their fair values and other financial liabilities are carried at “amortized cost” using the effective interest method.

The Group utilizes various hedging techniques to minimize the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Group.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Transaction costs regarding the issuance of share certificates are accounted under shareholders’ equity after eliminating the tax effects.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the “Off-balance sheet commitments”.

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 March 2018, the Group has no government grants (31 December 2017: None).

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	31 March 2018	31 March 2017
Net Income / (Loss) to be Appropriated to Ordinary Shareholders	48.549	20.864
Weighted Average Number of Issued Ordinary Shares (Thousand)	118.504.273	90.000.000
Earnings Per Ordinary Shares (Disclosed in full TL)	0,410	0,232

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

In Turkey, companies can increase their share capital by making a pro-rata distribution of “Bonus shares” to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of “Bonus shares” issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

XXV. EXPLANATIONS ON RELATED PARTIES:

Parties defined in article 49 of the Banking Law No.5411, Group’s senior management, and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note V. of Section Five.

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, “Cash” includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

Operational field is distinguishable section of the Group that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note X. in Section Four.

XXVIII. RECLASSIFICATIONS:

None.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF TFRS 9 FINANCIAL INSTRUMENTS STANDARD:

TFRS 9 Financial Instruments Standard, which is effective as at 1 January 2018 has replaced the TAS 39 Financial Instruments: Recognition and Measurement standard. TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

Classification and measurement of financial assets:

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model in which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and interest.

Assesment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment; “Principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. When making this assessment the Group considers the events that can alter the amount and timing of cash flows, product specific leverage features, prepayment and extension terms, terms that limit the Group’s claim to cash flows from specified assets and the features that modify consideration for the time value of money.

The Group fulfills the on-balance sheet classification and measurement criterias by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset is classified as either fair value through profit or loss, fair value through other comprehensive income or measured at amortized cost. The application of TAS 39 principles on the classification and measurement of financial liabilities remain largely unchanged.

Explanations of the effects from the Group’s application of TFRS 9 is presented below.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF TFRS 9 FINANCIAL INSTRUMENTS STANDARD (Continued):

a. Classification and measurement of financial assets:

Financial Assets	Before TFRS 9		In Scope of TFRS 9	
	Measurement Bases	Book Value 31 December 2017	Measurement Bases	Book Value 1 January 2018
Cash and Balances with Central Bank	Measured at amortized cost	2.027.340	Measured at amortized cost	2.027.340
Banks and Money Markets	Measured at amortized cost	179.729	Measured at amortized cost	179.729
Marketable Securities	Fair value through profit or loss	5.543	Fair value through profit or loss	5.703
Marketable Securities	Fair value through other comprehensive income	276.595	Fair value through other comprehensive income	276.435
Marketable Securities	Measured at amortized cost	171.218	Measured at amortized cost	171.218
Derivative Financial Assets	Fair value through profit or loss	407.696	Fair value through profit or loss	407.696
Loans (Gross)	Measured at amortized cost	15.915.105	Measured at amortized cost	15.915.105

Since their previous categories under TAS 39 are “put out of use”, without any adjustments, the financial assets that are classified as Trading, “Available-for-sale” and “Held-to-maturity” are now classified as “Fair value through profit or loss”, “Fair value through other comprehensive income” and “Measured at amortized cost” respectively under TFRS 9 as of 1 January 2018.

b. Reconciliation of statement of financial position balances from TAS 39 to TFRS 9:

Financial Assets	Book value before TFRS 9 31 December 2017	Reclassifications	Remeasurements	Book value after TFRS 9 1 January 2018
Fair value through profit or loss				
Balance before classification (for trading purposes)	5.443	-	-	-
Classified from available-for-sale	-	160	-	-
Book value after classification	-	-	-	5.703
Fair value through other comprehensive income				
Book value before classification (available-for-sale)	276.595	-	-	-
Available-for-sale financial assets valuation difference	-	-	-	-
Classified at financial assets at fair value through profit or loss	-	(160)	-	-
Book value after classification	-	-	-	276.435

The “Cash and Cash Equivalents” account which is used on financial statements as of 1 January 2018 includes the combination of “Cash and Balances at Central Bank”, “Banks” and “Receivables from Money Markets” accounts which were presented separately in the 31 December 2017 financial statements. Furthermore, the “Other Liabilities” account, effective on financial statements as of 1 January 2018, includes the combination of “Miscellaneous Payables” and “Other Foreign Liabilities” accounts, which were presented separately on the 31 December 2017 financial statements.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF TFRS 9 FINANCIAL INSTRUMENTS STANDARD (Continued):

c. Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9:

The table below shows the reconciliation of the provision for impairment of the Bank as of 31 December 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018.

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans	364.757	237.852	602.609
Stage 1	94.018	(29.682)	64.336
Stage 2	10.911	298.447	309.358
Stage 3	219.273	9.642	228.915
Other (*)	40.555	(40.555)	-
Financial assets	471	65	536
Non-cash loans	6.465	15.940	22.405
Stage 1 and 2	2.165	15.953	18.118
Stage 3	4.300	(13)	4.287
Total	371.693	253.857	625.550

(*) It expresses the provisions the Bank has allocated for certain loans in its loan portfolio related to risks that can arise in the future in the unconsolidated financial statements as of 31 December 2017.

d. Effects on equity with TFRS 9 transition:

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening amount of equity. Under the framework of this article, the explanations about the effects of the transition to TFRS 9 shown in equity items are given below:

The expense directional difference between the provision for impairment of the previous period of the Bank together with the general provisions for loans and other receivables of the Bank, and the new expected credit losses measured in accordance with the predicted TFRS 9 impairment model as of 1 January 2018, netted off from deferred tax income and corporate tax amounting to TL 174.343 is classified in equity under the "Prior Year's Profits or Losses" account.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Under this framework, deferred tax assets amounting to TL 78.526 has been reflected to the opening financials of 1 January 2018 and the related amount has been classified under "Prior Year's Profits or Losses" in shareholders' equity. For the specific provisions (TFRS 9 expected loss provisions for third stage loans), which have been cancelled due to TFRS 9 transition, corporate tax liability amounting to TL 988 is classified under "Prior Year's Profits or Losses" in equity as of 1 January 2018.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD:

The TFRS 9 standard has been effective instead of TAS 39 as of 1 January 2018. Accounting policies which have lost their validity with the transition to TFRS 9 are given below:

1. Explanations On Interest Income and Expense:

Interest income and expenses are recognised in the income statement on an accrual basis by using the effective interest method. The Bank ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

2. Explanations On Financial Assets:

The Bank classifies and accounts its financial assets as “Fair value through profit or loss”, “Available-for-sale”, “Loans and receivables” or “Held-to-maturity”. Sales and purchases of the financial assets mentioned above are recognised at the “settlement dates”. The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment.

a. Financial assets at fair value through profit or loss:

This category has two subcategories: “Trading financial assets” and “Financial assets designated at fairvalue through profit/loss at initial recognition”.

Trading financial assets are financial assets which are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aimed at short-term profit making.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are not designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of this section.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (Continued):

b. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognised at cost which is considered as their fair value. The fair values of held-to-maturity financial assets on initial recognition are either the transaction prices at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at “Amortised cost” using the Effective Interest Method after their recognition.

Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles.

c. Loans and receivables:

Loans and receivables are non-derivative financial assets held for trading, whose fair value differences are reflected in profit or loss, are not defined as available-for-sale, are fixed or determinable and are not quoted on an active market. Loans and receivables are initially recognized at cost and are subsequently measured at amortized cost using the effective interest rate method. Fees and other similar charges related to the assets acquired as collateral are not considered as part of the transaction cost and are reflected in the expense accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” published in the Official Gazette No.26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjuncture on the basis of the prudence principle are taken into consideration by the Bank in determining the estimates.

Provision expenses are deducted from the net income of the year. If there is a collection from a receivable that is provisioned previously, the amount is deducted from the “Specific Provisions” account and recorded as an income to “Provision for Loan Losses and Other Receivables” shown as net with the provisions recorded in the year. Uncollectible receivables are written-off after all the legal procedures have been finalized.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

**XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE
CURRENT PERIOD (Continued):**

d. Available-for-sale financial assets:

Financial assets available-for-sale consist of financial assets other than “Loans and receivables”, “Held-tomaturity”, “Financial assets at fair value through profit or loss” and non-derivative financial assets. Financial assets available-for-sale are recorded by adding transaction cost to acquisition cost reflecting the fair value of the financial asset.

After the recognition, financial assets available-for-sale are remeasured at fair value. Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

“Unrealised gains and losses” arising from changes in the fair value of financial assets classified as available-for-sale are recognised in the shareholders’ equity as “Marketable Securities Valuation Reserve”, until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. When calculating CPI Indexed government bonds’ discounted values, cash flows calculated through CBRT’s monthly expected CPI bulletin indices are used.

3. Explanations On Impairment of Financial Assets:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the effective interest method, or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and it is charged against the income for the year.

The principles for the accounting of provisions for loans are explained in detail in Note VII. of this Section.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON CONSOLIDATED EQUITY:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 31 March 2018 Bank’s total capital has been calculated as TL 2.790.471 (31 December 2017: 2.645.483), Capital adequacy ratio is 17,16% (31 December 2017: 17,32%).

a. Information about total capital:

	Current Period 31 March 2018	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.185.296		1.185.000	
Share issue premiums	-		-	
Reserves	274.794		164.946	
Gains recognized in equity as per TAS	233.271		60.036	
Profit	48.549		109.848	
Current Period Profit	48.549		109.848	
Prior Period Profit	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-		-	
Common Equity Tier 1 Capital Before Deductions	1.741.910		1.519.830	
Deductions from Common Equity Tier 1 Capital	-		-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	185.928		7.355	
Improvement costs for operating leasing	18.039		18.592	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	46.299	46.299	37.719	47.149
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	60.636		40.256	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-		-	
Gains arising from securitization transactions	-		-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Direct and indirect investments of the Bank in its own Common Equity	-		-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-		-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-		-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-		-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-		-	
Excess amount arising from mortgage servicing rights	-		-	
Excess amount arising from deferred tax assets based on temporary differences	-		-	
Other items to be defined by the BRSA	-		-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-		-	
Total Deductions From Common Equity Tier 1 Capital	310.902		103.922	
Total Common Equity Tier 1 Capital	1.431.008		1.415.908	

(*) In this section, the accounts that are liable to the temporary articles of “Regulation on Equities of Banks” which will be considered at the end of the transition period are shown.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

	Current Period 31 March 2018	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL				
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-	-	-
Debt instruments and premiums approved by BRSA	-	-	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-	-	-
Additional Tier I Capital before Deductions	-	-	-	-
Deductions from Additional Tier I Capital				
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-	-	-
Other items to be defined by the BRSA	-	-	-	-
Transition from the Core Capital to Continue to deduce Components				
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	9.430	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-	-	-
Total Deductions From Additional Tier I Capital	-	-	-	-
Total Additional Tier I Capital	-	-	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1.431.008		1.406.478	
TIER II CAPITAL				
Debt instruments and share issue premiums deemed suitable by the BRSA	1.184.670		1.131.570	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-		-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	174.795		107.566	
Tier II Capital Before Deductions	1.359.465		1.239.136	
Deductions From Tier II Capital				
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-		-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	2		131	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-		-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Other items to be defined by the BRSA (-)	-		-	
Total Deductions from Tier II Capital	2		131	
Total Tier II Capital	1.359.463		1.239.005	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.790.471		2.645.483	
Deductions from Total Capital				
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-		-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-		-	
Other items to be defined by the BRSA (-)	-		-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components				
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	

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I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

	Current Period 31 March 2018	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL				
Total Capital (Tier I and Tier II Capital)	2.790.471		2.645.483	
Total risk weighted amounts	16.262.083		15.271.897	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	8,80		9,27	
Tier I Capital Adequacy Ratio (%)	8,80		9,21	
Capital Adequacy Ratio (%)	17,16		17,32	
BUFFERS				
Total additional Tier I Capital requirement (a+b+c)	1.875		1.250	
a. Capital conservation buffer requirement (%)	1,875		1,250	
b. Bank specific counter-cyclical buffer requirement (%)	-		-	
c. Systematically important bank buffer ratio (%)	-		-	
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4,30		4,77	
Amounts below the Excess Limits as per the Deduction Principles				
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Amount arising from deferred tax assets based on temporary differences	-		-	
Limits related to provisions considered in Tier II calculation	124.483		31.303	
Limits related to provisions considered in Tier II calculation				
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	174.795		107.566	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	174.795		107.566	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-		-	

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

b. Information on instruments related to equity estimation

Details on Subordinated Liabilities		
Issuer	Burgan Bank K.P.S.C.	Burgan Bank K.P.S.C.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No
Eligible at stand-alone / consolidated	Stand Alone- Consolidated	Stand Alone- Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Loan	Subordinated Loan
Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date)	592.335	592.335
Par value of instrument (USD)	150.000	150.000
Accounting classification	Liability-Subordinated Loans-amortized cost	Liability-Subordinated Loans-amortized cost
Original date of issuance	06.12.2013	30.03.2016
Perpetual or dated	Dated	Dated
Original maturity date	10 Years	10 Years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends	3 Months	3 Months
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	LIBOR+3,75	LIBOR+3,75
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature	None	None
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
In compliance with article number 7 and 8 of “Own fund regulation”	None	None
Details of incompliance with article number 7 and 8 of “Own fund regulation”	None	None

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued):

I. EXPLANATIONS ON EQUITY (Continued):

c. Information related to the TFRS 9 transition process:

	T	T-1	T-2	T-3	T-4
EQUITY ITEMS					
Common Equity Tier 1 Capital	1.431.008	1.392.909	1.354.809	1.316.710	1.278.610
Common Equity Tier 1 Capital Without the Implementation of the Transition Process	1.278.610	1.278.610	1.278.610	1.278.610	1.278.610
Tier 1 Capital	1.431.008	1.392.909	1.354.809	1.316.710	1.278.610
Tier 1 Capital Without the Implementation of the Transition Process	1.278.610	1.278.610	1.278.610	1.278.610	1.278.610
Equity	2.790.471	2.790.471	2.790.471	2.790.471	2.790.471
Equity Without the Implementation of the Transition Process	2.790.471	2.790.471	2.790.471	2.790.471	2.790.471
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	16.262.084	16.262.084	16.262.084	16.262.084	16.262.084
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	8,80	8,57	8,33	8,10	7,86
Common Equity Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	7,86	7,86	7,86	7,86	7,86
Tier 1 Capital Adequacy Ratio (%)	8,80	8,57	8,33	8,10	7,86
Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	7,86	7,86	7,86	7,86	7,86
Capital Adequacy Ratio (%)	17,16	17,16	17,16	17,16	17,16
Capital Adequacy Ratio Without the Implementation of the Transition Process	17,16	17,16	17,16	17,16	17,16
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	23.512.269	23.512.269	23.512.269	23.512.269	23.512.269
Leverage Ratio (%)	6,00	5,92	5,76	5,60	5,35
Leverage Ratio Without the Implementation of the Transition Process	5,35	5,35	5,35	5,35	5,35

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

II. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

a. Overview of risk weighted amounts

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of the date 31 March 2018:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period 31 March 2018	Prior Period 31 December 2017	Current Period 31 March 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	14.679.451	13.960.500	1.174.356
2	Standardised approach (SA)	14.679.451	13.960.500	1.174.356
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	470.618	367.260	37.649
5	Standardised approach for counterparty credit risk (SA-CCR)	470.618	367.260	37.649
6	Internal Model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-
16	Market risk	146.526	127.984	11.722
17	Standardised approach (SA)	146.526	127.984	11.722
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	965.488	816.153	77.239
20	Basic indicator approach	965.488	816.153	77.239
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	16.262.083	15.271.897	1.300.966

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

III. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK:

The difference between the Group’s foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the “Net Foreign Currency Position” and it is the basis of currency risk. Another important dimension of the currency risk is the change in the exchange rates of different foreign currencies in “Net Foreign Currency Position” (cross currency risk).

A series of limits for the tenure of spot and forward foreign exchange positions are set by the Board of Directors annually. The Group has a short-term conservative foreign currency position management policy.

The Parent Bank’s publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date:

	EUR		USD	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
31 March 2018 / 31 December 2017				
Bid rate	TL 4,8673	TL 4,5155	TL 3,9489	TL 3,7719
1. Day Bid Rate	TL 4,8673	TL 4,5155	TL 3,9489	TL 3,7719
2. Day Bid Rate	TL 4,9191	TL 4,5478	TL 3,9949	TL 3,8104
3. Day Bid Rate	TL 4,9500	TL 4,5385	TL 3,9931	TL 3,8197
4. Day Bid Rate	TL 4,9414	TL 4,5116	TL 3,9757	TL 3,8029
5. Day Bid Rate	TL 4,9251	TL 4,5205	TL 3,9742	TL 3,8087

The simple arithmetic average of the Parent Bank’s foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown below:

	EUR		USD	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Arithmetic average-30 days	TL 4,7877	TL 4,5508	TL 3,8833	TL 3,8440

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

III. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

Information on currency risk of the Group:

The Group’s real foreign currency position, both in financial and economic terms, is presented in the table below:

	EUR	USD	Other FC	Total
31 March 2018				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	11.781	1.014.177	1.502	1.027.460
Due From Banks	8.517	15.190	2.269	25.976
Financial Assets at Fair Value Through Profit or Loss (*)	51.308	50.573	8.274	110.155
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	10.002	96.488	-	106.490
Loans (*)	6.895.852	3.584.832	-	10.480.684
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	176.201	-	176.201
Hedging Derivative Financial Assets	385	9.757	-	10.142
Tangible Assets	-	1.243	-	1.243
Intangible Assets	-	843	-	843
Other Assets	43.835	112.220	29	156.084
Total Assets	7.021.680	5.061.524	12.074	12.095.278
Liabilities				
Bank Deposits	121	394.026	13	394.160
Foreign Currency Deposits	1.358.766	3.777.877	96.184	5.232.827
Funds From Interbank Money Market	-	173.819	-	173.819
Funds Borrowed From Other Financial Institutions	1.774.062	5.571.397	1	7.345.460
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	220.495	224.104	299	444.898
Hedging Derivative Financial Liabilities	1.074	13.742	2	14.818
Other Liabilities (*)	29.711	22.669	8.334	60.714
Total Liabilities	3.384.229	10.177.634	104.833	13.666.696
Net On-balance Sheet Position	3.637.451	(5.116.110)	(92.759)	(1.571.418)
Net Off-balance Sheet Position	(3.426.822)	5.218.467	101.222	1.892.867
Financial Derivative Assets	2.865.833	10.710.276	310.996	13.887.105
Financial Derivative Liabilities	6.292.655	5.491.809	209.774	11.994.238
Non-Cash Loans (**)	757.238	911.275	37.726	1.706.239
31 December 2017				
Total Assets (*)	6.474.772	4.951.338	18.930	11.445.040
Total Liabilities (*)	2.612.282	10.219.429	121.583	12.953.294
Net On-balance Sheet Position	3.862.490	(5.268.091)	(102.653)	(1.508.254)
Net Off-balance Sheet Position	(3.830.308)	5.289.780	100.381	1.559.853
Financial Derivative Assets	988.000	8.162.761	457.352	9.608.113
Financial Derivative Liabilities	4.818.308	2.872.981	356.971	8.048.260
Non-Cash Loans (**)	587.467	708.298	63.371	1.359.136

(*) The above table shows the Bank’s foreign currency net position based on main currencies. Foreign currency indexed asset are expressed in Turkish Lira rather than foreign currencies in the financial statements according to the Uniform Chart of Accounts. Therefore, foreign currency indexed loans amounting to TL 861.526 (31 December 2017: TL 831.039) in the 31 March 2018 financial statements are added to the table above, also there are no foreign currency indexed loans received in the current period (31 December 2017: None). Furthermore, in assets “Income Accruals of Derivative Financial Instruments” amounting to TL 34.298 (31 December 2017: TL 21.351), in liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 12.094 (31 December 2017: TL 54.410), “General Provisions” amounting to TL 282.887 (31 December 2017: TL 64.850), free provisions amounting to TL 11.376 (31 December 2017: TL 23.997) and “Marketable Securities Valuation Reserve” with “Hedging Derivative Financials” amounting to TL 10.497 (31 December 2017: TL 6.230) are not included in the table above.

(**) Non cash loans are not included in the total of “Net Off-Balance Sheet Position”.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK:

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Bank’s interest rate sensitive assets and liabilities. The interest sensitivity of risks regarding the interest rate both on the on-balance sheet and off-balance sheet are monitored following several analyses and are discussed in Asset and Liability Committee weekly.

The Bank closely monitors the maturity gap between liabilities and assets that may arise in the balance sheet to manage the interest rate risk better. Liquidity management is critical in the combination of investments, available-for-sale assets and the trading portfolio. Through using these precautions, the possible loss effects on the shareholders’ equity due to both credit risk and interest risk during the volatile periods of the market are minimized.

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates
(As for the remaining time to repricing):**

31 March 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing	Total
Assets (***)							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	2.129.196	-	-	-	-	36.600	2.165.796
Due From Banks	9.634	-	-	-	-	19.534	29.168
Financial Assets at Fair Value Through Profit/Loss (*)	59.058	191.922	270.023	30.456	20.860	-	572.319
Interbank Money Market Placements	10.310	-	-	-	-	-	10.310
Financial Assets at Fair Value Through Other Comprehensive Income	226	508	69.273	139.308	63.300	8.770	281.385
Loans	5.208.803	1.959.980	4.221.331	3.702.393	327.355	175.511	15.595.373
Financial Assets Measured at Amortized Cost	-	-	-	176.201	-	-	176.201
Other Assets	-	-	-	-	-	480.207	480.207
Total Assets	7.417.227	2.152.410	4.560.627	4.048.358	411.515	720.622	19.310.759
Liabilities							
Bank Deposits	390.146	-	-	-	-	4.312	394.458
Other Deposits	6.024.638	2.180.601	328.307	2.764	-	364.254	8.900.564
Funds From Interbank Money Market	80.281	-	126.659	-	-	-	206.940
Miscellaneous Payables	-	-	-	-	-	496.427	496.427
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	3.199.860	3.444.848	789.148	84.314	-	-	7.518.170
Other Liabilities (*) (**)	58.237	39.310	44.189	67.861	119	1.584.484	1.794.200
Total Liabilities	9.753.162	5.664.759	1.288.303	154.939	119	2.449.477	19.310.759
Balance Sheet Long Position	-	-	3.272.324	3.893.419	411.396	-	6.146.306
Balance Sheet Short Position	(2.335.935)	(3.512.349)	-	-	-	(1.728.855)	(6.146.306)
Off-balance Sheet Long Position	939.478	1.008.860	635.070	-	-	-	2.583.408
Off-balance Sheet Short Position	-	-	-	(2.270.319)	-	-	(2.270.319)
Total Position	(1.396.457)	(2.503.489)	3.907.394	1.623.100	411.396	(1.728.855)	313.089

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 341.539 and other liabilities includes hedging derivative financial liabilities amounting to TL 56.614 classified to a related re-pricing periods.

(**) Shareholders’ Equity is presented in Non Interest Bearing column.

(***) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates
(As for the remaining time to repricing) (Continued):**

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.975.239	-	-	-	-	52.101	2.027.340
Due From Banks	145.331	-	-	-	-	23.398	168.729
Financial Assets at Fair Value Through Profit/Loss	29.336	111.647	227.327	41.246	3.683	-	413.239
Interbank Money Market Placements	11.000	-	-	-	-	-	11.000
Available-for-Sale Financial Assets	220	91.181	-	122.732	53.519	8.943	276.595
Loans	4.753.935	2.727.799	3.177.468	2.379.633	66.897	181.012	13.286.744
Held-to-Maturity Investments	-	-	-	171.218	-	-	171.218
Other Assets	99.890	81.318	352.631	1.162.344	275.695	427.955	2.399.833
Total Assets	7.014.951	3.011.945	3.757.426	3.877.173	399.794	693.409	18.754.698
Liabilities							
Bank Deposits	86.846	-	-	-	-	6.643	93.489
Other Deposits	5.563.222	2.182.603	712.796	54	-	320.307	8.778.982
Funds From Interbank Money Market	135.234	120.982	-	-	-	-	256.216
Miscellaneous Payables	-	-	-	-	-	353.907	353.907
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	2.258.217	3.139.725	1.792.189	33.213	-	-	7.223.344
Other Liabilities (*)	53.611	62.745	29.737	68.546	114	1.834.007	2.048.760
Total Liabilities	8.097.130	5.506.055	2.534.722	101.813	114	2.514.864	18.754.698
Balance Sheet Long Position	-	-	1.222.704	3.775.360	399.680	-	5.397.744
Balance Sheet Short Position	(1.082.179)	(2.494.110)	-	-	-	(1.821.455)	(5.397.744)
Off-balance Sheet Long Position	487.564	929.592	747.727	-	-	-	2.164.883
Off-balance Sheet Short Position	-	-	-	(1.991.199)	-	-	(1.991.199)
Total Position	(594.615)	(1.564.518)	1.970.431	1.784.161	399.680	(1.821.455)	173.684

(*) Shareholders' Equity is presented in Non Interest Bearing column.

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(Continued):**

IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

Below the average interest rates are calculated by weighting the simple rates with their principals.

31 March 2018	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,50	-	4,00
Due From Banks	-	0,42	-	-
Financial Assets at Fair Value Through Profit/Loss	4,48	8,94	-	10,65
Interbank Money Market Placements	-	-	-	15,02
Financial Assets at Fair Value Through Other Comprehensive Income	3,25	5,32	-	10,89
Loans	5,11	6,62	-	16,59
Financial Assets Measured at Amortized Cost	-	5,96	-	-
Liabilities				
Bank Deposits	-	1,73	-	-
Other Deposits (*)	1,72	3,82	-	14,00
Funds From Interbank Money Market	-	3,38	-	14,86
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,23	4,33	-	13,32

(*) Demand deposits are included in the calculation of the weighted average interest rates.

31 December 2017	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,50	-	4,00
Due From Banks	-	1,42	-	-
Financial Assets at Fair Value Through Profit/Loss	4,31	5,13	-	10,29
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,32	-	10,19
Loans	5,15	6,44	-	16,38
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	1,41	-	-
Other Deposits (*)	1,73	3,97	-	14,08
Funds From Interbank Money Market	-	2,61	-	11,29
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,25	3,89	-	13,24

(*) Demand deposits are included in the calculation of the weighted average interest rates.

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(Continued):**

IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

1. The measurement frequency of the interest rate risk with important estimations including those relating to the quality of the interest rate resulting from banking accounts, advance loan repayment and movements of deposits other than time deposits is explained by the following:

Interest rate risk resulting from the banking accounts is measured according to the month-end balance in accordance with "Regulation No. 28034 on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method", dated 23 August 2011.

Interest sensitive items are taken into consideration in accordance with the re-pricing period and depending on the estimated cash flows. Demand deposits are taken into account based on the core deposit calculations. The change calculated by implementing interest rate shocks on the differences created in accordance with the re-pricing periods of the assets and liabilities in the banking accounts is proportioned to the equities.

2. The table below presents the economic value differences resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

Currency	Applied Shock (+/- x basis point)	Earnings/ Losses	Earnings/ Equities-Losses/ Equities
1. TRY	+500 bp	(106.621)	(3,9)%
2. TRY	-400 bp	97.485	3,5%
3. EURO	+200 bp	9.203	0,3%
4. EURO	-200 bp	2.051	0,1%
5. USD	+200 bp	(42.763)	(1,5)%
6. USD	-200 bp	45.489	1,6%
Total (For Negative Shocks)		145.025	5,2%
Total (For Positive Shocks)		(140.181)	(5,1)%

V. EXPLANATIONS ON CONSOLIDATED SHARE CERTIFICATE POSITION RISK:

None.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO:**

Liquidity risk is the risk generated as a result of not having an effect or cash inflow at a level which can meet cash outflow, formed because of an imbalance in cash flow, timely and completely.

Effective liquidity risk management requires assigning appropriate staff for measurement and monitoring and timely informing management of the bank. Board of directors and senior management is responsible to understand the nature and level of the liquidity risk taken by the Parent Bank and the instruments measuring these risks. Additionally, Board of Directors and Senior Management are responsible for the compliance of funding strategies to risk tolerance which is determined to be applied.

Liquidity risk management framework of the Parent Bank is determined with “Burgan Bank Risk Management Policy” and “Burgan Bank Liquidity Risk Policy” documents approved by Bank’s Board of Directors and “Burgan Bank Risk Management Policy” and “Burgan Bank Treasury Policy” and “Burgan Bank Assets & Liabilities Management Committee (ALCO)” in scope of banking legislation.

Liquidity management is primarily under the responsibility of ALCO in accordance with the Liquidity Risk Management of the Bank. Treasury, Capital Markets and Financial Corporations Group are responsible to perform required actions in accordance with the liquidity standards determined in accordance with the Liquidity Risk Policy. Market Risk Departments is secondarily responsible and it is responsible to control and report compliance with the limits. Detailed information related to periodic and specific reports related to liquidity risk, stress tests, scenario tests, scenario analysis, compliance with risk limits and legal liquidity reports are included in Liquidity Risk Policy of the Bank.

Liquidity risk exposed by the Parent Bank, risk appetite, liquidity risk reduction appropriate to liquidity and funding policies (diversification of funding sources and maturities, derivative transactions), establishment of effective control environment, risk limits, early warning and triggering market indicators are managed through monitoring closely.

The liquidity risk is removed by short term placements, liquid marketable assets wallet and strong equity structure in the management of liquidity risk. Board of Directors of Bank can perform limit reduction regardless of credit value in current placement limits when the volatility in markets increases. Management of the Bank and ALCO monitors possible marginal costs of payments and spurts as a result of studies made in scope of scenario analysis while tracking interest margin in diversified maturity segments between assets and liabilities. Borrowing limits which can be used in short-term for spurts from Central Bank, BIST Repo Market, Takasbank Money Market and banks are applied at a minimum level. The Parent Bank does not need to use these sources because of its current liquidity position but it uses the aforementioned limits for short-term transaction opportunities. Assets, liabilities and positions on the basis of main types of currencies (currencies forming at least 5% of Bank’s total liabilities) are managed under the control of Treasury and Capital Markets.

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(Continued):**

**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Firstly, the Parent Bank and subsidiaries subject to consolidation are responsible to be in accord with the minimum liquidity restrictions that are set by legislation and consolidated and unconsolidated liquidity restrictions that is determined in the Bank’s Liquidity Risk Policy There should be no excess in liquidity limits in accordance with the Bank’s policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

Triggering market indicators are indicators which are tracked as early warning signals before the transition to stress environment which can form in the market as a result of ordinary business condition. Early warning limits related to liquidity risk in Bank are determined and aforementioned limits are monitored closely with the triggering market indicators.

Market Risk Department reports results of scenarios related to liquidity risk to Board of Directors, Risk Coordination Committee, Risk Committee and ALCO through making monthly calculations based on stress scenarios. These stress tests identify negative market conditions and potential fund outflows which occur in funding resources in a liquidity crisis. The purpose of stress tests is to inform related committees and Board of Directors regarding liquidity outflows and derogation which can occur in the liquidity ratios of the Parent Bank. Required actions are taken by ALCO if there are similar situations mentioned in stress scenarios.

An ALCO meeting is held with a call made by Treasury, Capital Markets and Deputy General Manager of Financial Corporations if there is a negative development sourcing from the group or liquidity. Precautions which shall be taken in this process are determined in scope of Liquidity Emergency Plan and details related to Liquidity Emergency Plan are included in Liquidity Risk Policy of the Parent Bank.

The Parent Bank has a central funding institution function in its relations with partners. Intra-group liquidity management and funding strategies are limited to related legal limitations.

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(Continued):**

**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Liquidity Coverage Ratio:

31 March 2018	Unweighted Amounts (*)		Weighted Amounts (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High Quality Liquid Assets	-	-	2.157.114	1.414.004
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	6.312.796	3.154.270	602.996	315.427
3 Stable deposits	565.673	-	28.284	-
4 Less stable deposits	5.747.123	3.154.270	574.712	315.427
5 Unsecured Funding other than Retail and Small Business Customers Deposits	2.961.808	2.110.303	1.614.610	1.051.960
6 Operational deposits	979.089	831.736	244.772	207.934
7 Non-Operational Deposits	1.434.359	1.101.321	821.858	666.780
8 Other Unsecured Funding	548.360	177.246	547.980	177.246
9 Secured funding	-	-	-	-
10 Other Cash Outflows	112.022	57.474	112.022	57.474
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	112.022	57.474	112.022	57.474
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	2.599.027	1.582.177	309.489	176.234
16 TOTAL CASH OUTFLOWS	-	-	2.639.117	1.601.095
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	1.819.703	400.650	1.228.689	237.879
19 Other contractual cash inflows	19.262	389.526	19.262	389.526
20 TOTAL CASH INFLOWS	1.838.965	790.176	1.247.951	627.405
			Upper Bound Applied Amounts	
21 TOTAL HIGH QUALITY LIQUID ASSETS	-	-	2.157.114	1.414.004
22 TOTAL NET CASH OUTFLOWS	-	-	1.391.166	973.690
23 Liquidity Coverage Ratio (%)	-	-	155,06	145,22

(*)The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

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(Continued):**

**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

31 December 2017	Unweighted Amounts (*)		Weighted Amounts (*)		
	TL+FC	FC	TL+FC	FC	
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets	-	-	2.047.365	1.377.625
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	5.793.393	2.964.383	553.623	296.438
3	Stable deposits	514.333	-	25.717	-
4	Less stable deposits	5.279.060	2.964.383	527.906	296.438
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.631.244	1.834.271	1.451.772	896.376
6	Operational deposits	844.191	738.315	211.048	184.579
7	Non-Operational Deposits	1.158.499	846.445	612.587	462.286
8	Other Unsecured Funding	628.554	249.511	628.137	249.511
9	Secured funding	-	-	-	-
10	Other Cash Outflows	64.720	57.474	64.720	57.474
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	64.720	57.474	64.720	57.474
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.503.898	1.497.236	300.807	180.239
16	TOTAL CASH OUTFLOWS	-	-	2.370.922	1.430.527
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.443.023	442.170	1.030.715	299.428
19	Other contractual cash inflows	12.862	383.974	12.862	383.974
20	TOTAL CASH INFLOWS	1.455.885	826.144	1.043.577	683.402
			Upper Bound Applied Amounts		
21	TOTAL HIGH QUALITY LIQUID ASSETS	-	-	2.047.365	1.377.625
22	TOTAL NET CASH OUTFLOWS	-	-	1.327.345	747.125
23	Liquidity Coverage Ratio (%)	-	-	154,25	184,39

(*)The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

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(Continued):**

**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Liquidity coverage rate is calculated through estimating high quality liquid assets owned by the Bank to net cash out flows based on 30 days of maturity. Balance items which are determinant on the ratio are sorted as required reserves kept in Central Bank of Turkey, securities which are not subject to repo/guarantee, deposit having a corporate transaction, banks deposits, foreign sourced funds and receivables from banks. The impacts of aforementioned items on liquidity coverage ratio are higher than other items since they have a higher share in liquid assets and net cash out flows and they can change in time.

High quality liquid assets of the Bank consist of accounts in Central Bank of Turkey at a ratio of 90% and securities issued by Undersecretariat of Treasury at a ratio of 8%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to bank debt at ratios of 22%, 43% and 23% respectively.

Fluctuations in foreign currency derivative transaction volumes, mainly in foreign currency swaps, can have an impact on foreign currency liquidity coverage rate although derivative transactions generate a lower level of net cash flow with respect to liquidity coverage rate.

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with “Regulation on Calculation of Liquidity Coverage Ratio of Banks” entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. As of 31 March 2018, information regarding aforementioned cash outflow are as follows:

Date	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
	FC	FC + TL
31 March 2018	57.474	57.474

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with “Regulation on Calculation of Liquidity Coverage Ratio of Banks” published in Official Gazette dated 21 March 2014 and numbered 28948. As of 31 December 2017, liquidity coverage rates must be at least 70% for foreign currency assets and liabilities and at least 90% in total assets and liabilities. Dates and values of the lowest and highest foreign currency and total consolidated liquidity coverage ratios calculated monthly related to the last quarter are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC + TL	FC	FC + TL
Monthly Arithmetic Average (%)	211,99%	192,01%	77,46%	130,60%
Monthly	28.02.2018	31.01.2018	31.03.2018	31.03.2018

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

**VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Breakdown of assets and liabilities according to their outstanding maturities:

31 March 2018	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unclassified (***)	Total
Assets (****)								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	36.600	2.129.196	-	-	-	-	-	2.165.796
Due From Banks	19.534	9.634	-	-	-	-	-	29.168
Financial Assets at Fair Value Through Profit or Loss (*)	-	41.226	58.240	112.810	330.496	29.547	-	572.319
Interbank Money Market Placements	-	10.310	-	-	-	-	-	10.310
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	226	209.089	63.300	8.770	281.385
Loans	-	1.423.692	1.676.349	3.525.152	7.086.981	1.707.687	175.512	15.595.373
Financial Assets Measured at Amortized Cost	-	-	-	-	176.201	-	-	176.201
Other Assets (**)	-	49.355	1.562	21.674	68.775	4.952	333.889	480.207
Total Assets	56.134	3.663.413	1.736.151	3.659.862	7.871.542	1.805.486	518.171	19.310.759
Liabilities								
Bank Deposits	4.312	390.146	-	-	-	-	-	394.458
Other Deposits	364.254	6.024.638	2.180.601	328.307	2.764	-	-	8.900.564
Funds Borrowed From Other Financial Institutions	-	287.211	506.059	2.143.343	3.387.006	1.194.551	-	7.518.170
Funds From Interbank Money Market	-	72.023	-	-	134.917	-	-	206.940
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	323.561	-	-	-	-	172.866	496.427
Other Liabilities (*) (***)	-	163.941	24.332	54.067	95.740	3.036	1.453.084	1.794.200
Total Liabilities	368.566	7.261.520	2.710.992	2.525.717	3.620.427	1.197.587	1.625.950	19.310.759
Net Liquidity Gap	(312.432)	(3.598.107)	(974.841)	1.134.145	4.251.115	607.899	(1.107.779)	-
Net Off-balance sheet position	-	324.264	376.268	793.171	16.748	1.217	-	1.511.668
Financial Derivative Assets	-	3.556.970	1.647.558	2.741.704	1.264.717	1.776	-	9.212.725
Financial Derivative Liabilities	-	(3.232.706)	(1.271.290)	(1.948.533)	(1.247.969)	(559)	-	(7.701.057)
Non-cash Loans	-	-	1.348.961	297.402	593.594	187.951	6.253	2.434.161
31 December 2017								
Total Assets	75.499	3.758.845	1.752.418	3.323.926	7.614.942	1.710.834	518.234	18.754.698
Total Liabilities	326.950	6.442.731	2.312.017	3.333.304	3.378.335	1.142.749	1.818.612	18.754.698
Net Liquidity Gap	(251.451)	(2.683.886)	(559.599)	(9.378)	4.236.607	568.085	(1.300.378)	-
Net Off-balance sheet position	-	360.711	283.564	525.015	(14.967)	1.277	-	1.155.600
Financial Derivative Assets	-	4.436.985	1.803.485	929.100	1.357.464	1.848	-	8.528.882
Financial Derivative Liabilities	-	(4.076.274)	(1.519.921)	(404.085)	(1.372.431)	(571)	-	(7.373.282)
Non-cash Loans	-	1.034.096	83.673	626.108	368.523	6.249	-	2.118.649

(*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 341.359 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 56.614. These accounts are mainly shown under the 1-5 year maturity period.

(**) Assets that are necessary for banking activities, such as fixed and intangible assets, subsidiaries, associates, stationary stocks and account receivables from leasing are classified in this column.

(***) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

(****) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued):**

VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO:

Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 March 2018, the leverage ratio of the Group calculated from the arithmetic average of the three months is 6% (31 December 2017: 5,38%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet and off-balance sheet assets.

Disclosure of Leverage ratio template :

	31 March 2018 (*)	31 December 2017 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	19.407.047	18.786.108
(Assets deducted from Core capital)	64.393	61.414
Total risk amount of balance sheet assets	19.342.654	18.724.694
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	378.102	352.414
Potential credit risk amount of derivative financial assets and credit derivatives	145.956	112.968
Total risk amount of derivative financial assets and credit derivatives	524.058	465.382
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.645.557	3.120.668
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.645.557	3.120.668
Capital and total risk		
Core Capital	1.410.287	1.200.996
Total risk amount	23.512.269	22.310.744
Leverage ratio		
Leverage ratio	6,00%	5,38%

(*) The arithmetic average of the last 3 months in the related periods

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GROUP (Continued):**

VIII. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 March 2018, The Group applies cash flow hedge accounting using interest swaps to hedge its FC deposits and other liabilities with an average maturity upto 3 months against interest rate fluctuations. The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with income statement.

The swaps, of which carrying amount is TL 341.539 derivative financial assets (31 December 2017: TL 269.300) and TL 56.614 derivative financial liabilities (31 December 2017: TL 53.975), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, the fair value expense at the amount of TL 20.380 (31 December 2017: TL 18.341 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2017: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	328.984	53.945	52.653	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	12.555	2.669	7.983	-

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TFRS 9, the accounting application is ended. In case of deterioration of efficiency, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2017: None).

The measurements conducted as of 31 March 2018 show that the cash flow hedging transactions shown above are effective.

IX. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES:

Bank carries out marketable security trading and custody services on behalf of customers and on their account. The details of items held in custody is given in off-balance sheet commitments.

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X. EXPLANATIONS ON OPERATING SEGMENTS:

The Parent Bank manages its banking operations through three main business units; Retail banking, corporate, commercial and SME banking and treasury.

Retail banking provides products and services to individual and private customers. Products and services include primarily deposit, loan, credit card, automatic payment services, internet banking and other various banking services.

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade financing, non-cash loans, foreign currency transaction services and other corporate banking services to small, medium and large sized corporate clients.

Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

Stated balance sheet and income statement items based on operating segments:

The prior period information is presented as of 31 December 2017 for balance sheet items and as of 31 March 2017 for income statement items.

31 March 2018	Retail Banking	Corporate, Commercial and SME Banking	Treasury	Other and Unclassified (*)	Total Operations of the Bank
Net Interest Income	23.469	98.002	22.295	20.343	164.109
Net Fees and Comissions	1.765	7.408	-	5.459	14.632
Commercial Profit/Loss	1.423	2.841	521	1.928	6.713
Other Operating Income	1.037	4.078	-	3.311	8.426
Operating Income	27.694	112.329	22.816	31.041	193.880
Operating Costs (-)	19.770	61.335	6.887	41.842	129.834
Net Operating Income	7.924	50.994	15.929	(10.801)	64.046
Dividend Income	-	-	-	-	-
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	7.924	50.994	15.929	(10.801)	64.046
Tax Provisions (-)	1.743	11.219	3.504	(969)	15.497
Net Profit / Loss	6.181	39.775	12.425	(9.832)	48.549
Segment Assets	1.361.601	13.113.995	2.181.010	2.371.785	19.028.391
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	282.368	282.368
Total Assets	1.361.601	13.113.995	2.181.010	2.654.153	19.310.759
Segments Liabilities	6.161.160	2.774.520	6.287.145	2.684.350	17.907.175
Unallocated Liabilities	-	-	-	1.403.584	1.403.584
Total Liabilities	6.161.160	2.774.520	6.287.145	4.087.934	19.310.759

(*) Other operations include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partner Burgan Wealth Limited Dubai.

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GROUP (Continued):**

X. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

31 March 2017	Retail Banking	Corporate, Commercial and SME Banking	Treasury	Other and Unclassified (*)	Total Operations of the Bank
Net Interest Income	12.844	82.119	11.401	14.327	120.691
Net Fees and Comissions	960	7.974	-	4.608	13.542
Commercial Profit/Loss	2.650	3.881	146	1.482	8.159
Other Operating Income	312	2.507	-	2.687	5.506
Operating Income	16.766	96.481	11.547	23.104	147.898
Operating Costs (-)	14.511	54.589	6.480	43.535	119.115
Net Operating Income	2.255	41.892	5.067	(20.431)	28.783
Dividend Income	-	-	-	-	-
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	2.255	41.892	5.067	(20.431)	28.783
Tax Provisions (-)	451	8.377	1.014	(1.923)	7.919
Net Profit / Loss	1.804	33.515	4.053	(18.508)	20.864
31 December 2017					
Segment Assets	1.320.669	13.068.773	1.885.589	2.226.054	18.501.085
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	253.613	253.613
Total Assets	1.320.669	13.068.773	1.885.589	2.479.667	18.754.698
Segments Liabilities	5.749.776	3.020.524	5.875.421	2.596.502	17.242.223
Unallocated Liabilities	-	-	-	1.512.475	1.512.475
Total Liabilities	5.749.776	3.020.524	5.875.421	4.108.977	18.754.698

(*)Other operations include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS:

a. Information related to cash and the account of The Central Bank of the Republic of Turkey (the “CBRT”):

1. Information on cash and the account of the CBRT:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Cash/Foreign currency	11.366	24.509	12.427	39.651
CBRT	1.126.970	1.002.951	1.022.011	953.251
Other	-	-	-	-
Total	1.138.336	1.027.460	1.034.438	992.902

2. Information on the account of the CBRT:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Demand Unrestricted Amount	732.674	699	955.529	6.766
Time Unrestricted Amount	394.296	-	66.482	-
Time Restricted Amount	-	1.002.252	-	946.485
Total	1.126.970	1.002.951	1.022.011	953.251

3. Information on reserve requirements:

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

As of 31 March 2018, The valid TL required reserve rates vary between 4% and 10,5% according to their maturities (31 December 2017: Between 4% and 10,5%). The valid foreign currency required reserve rates vary between 4% and 24% according to their maturities (31 December 2017: Between 4% and 24%).

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

b. Information on financial assets at fair value through profit or loss:

1. As of 31 March 2018, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2017: None).
2. Positive differences related to derivative financial assets at fair value through profit or loss:

	31 March 2018	
	TL	FC
Forward Transactions	54.240	15.639
Swap Transactions	31.406	58.346
Futures Transactions	-	-
Options	497	45.560
Other	1	-
Total	86.144	119.545

	31 December 2017	
	TL	FC
Forward Transactions	23.695	9.926
Swap Transactions	43.395	33.376
Futures Transactions	-	-
Options	1.722	26.282
Other	-	-
Total	68.812	69.584

c. Information on banks:

1. Information on banks:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Banks				
Domestic	3.286	9.461	167	13.140
Foreign	9	16.515	9	155.413
Headquarters and Branches Abroad	-	-	-	-
Total	3.295	25.976	176	168.553

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

d. Information on financial assets at fair value through other comprehensive income:

1. Characteristics and carrying values of available-for-sale financial assets given as collateral:

As of 31 March 2018, there are TL 124.390 available-for-sale financial assets given as collateral/blocked (31 December 2017: TL 54.280) and those subject to repurchase agreements amounts to TL 53.289 (31 December 2017: TL 115.358).

2. Information on financial assets at fair value through other comprehensive income:

	31 March 2018
Debt Securities	281.157
Quoted on Stock Exchange	281.157
Not Quoted	-
Share Certificates	8.770
Quoted on Stock Exchange	-
Not Quoted	8.770
Impairment Provision (-)	8.517
Total	281.410

Information on available-for-sale financial assets:

	31 December 2017
Debt Securities	269.957
Quoted on Stock Exchange	269.957
Not Quoted	-
Share Certificates	8.929
Quoted on Stock Exchange	-
Not Quoted	8.929
Impairment Provision (-)	2.291
Total	276.595

e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Group:

	31 March 2018		31 December 2017	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	-	-	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	-	-	-	-
Loans Granted To Employees	4.124	-	4.660	-
Total	4.124	-	4.660	-

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled and other receivables :

i.

Cash Loans	Standard Loans (**)	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables with Revised Contract Terms	Re-finance
Non-Specialized Loans	12.115.269	1.288.984	271.009	-
Loans given to enterprises	-	-	-	-
Export Loans	852.221	112.217	5.677	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	389.525	-	-	-
Consumer Loans	627.130	34.025	6.202	-
Credit Cards	2.437	503	-	-
Other (*)	10.243.956	1.142.239	259.130	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	12.115.269	1.288.984	271.009	-

(*) The Group also has factoring receivables amounting to TL 6 under the Other account.

(**) Standard loans also include Burgan Yatırım’s loans given out to clients.

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	-	242.584
3,4 or 5 times	-	28.425
Over 5 times	-	-
Total	-	271.009

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	56.793
6 Months – 12 Months	-	9.706
1-2 Years	-	40.449
2-5 Years	-	70.297
5 Years and Over	-	93.764
Total	-	271.009

iv.

	Standard Loans	Loans and Other Receivables Under Close Monitoring
General Provisions	59.851	361.281
12 Month Expected Credit Losses (Stage I)	59.851	-
Significant Increase in Credit Risk (Stage II)	-	361.281

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

3. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	28.225	624.919	653.144
Real estate loans	-	97.162	97.162
Automotive loans	129	20.510	20.639
Consumer loans	28.096	507.247	535.343
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	4.702	4.702
Real estate loans	-	4.336	4.336
Automotive loans	-	-	-
Consumer loans	-	366	366
Other	-	-	-
Individual Credit Cards-TL	2.169	-	2.169
With installments	-	-	-
Without installments	2.169	-	2.169
Individual Credit Cards- FC	85	-	85
With installments	-	-	-
Without installments	85	-	85
Personnel Loans-TL	328	3.373	3.701
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	328	3.373	3.701
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	410	-	410
With installments	-	-	-
Without installments	410	-	410
Personnel Credit Cards-FC	13	-	13
With installments	-	-	-
Without installments	13	-	13
Credit Deposit Account-TL (Real Person)	5.810	-	5.810
Credit Deposit Account-FC (Real Person)	-	-	-
Total	37.040	632.994	670.034

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

4. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	51.105	1.789.506	1.840.611
Real estate loans	-	-	-
Automotive loans	-	7.766	7.766
Consumer loans	51.105	1.781.740	1.832.845
Other	-	-	-
Commercial Installments Loans-FC Indexed	10.584	569.408	579.992
Real estate loans	-	-	-
Automotive loans	-	3.638	3.638
Consumer loans	10.584	565.770	576.354
Other	-	-	-
Commercial Installments Loans-FC	-	4.364.663	4.364.663
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	4.364.663	4.364.663
Other	-	-	-
Corporate Credit Cards-TL	230	-	230
With installment	-	-	-
Without installment	230	-	230
Corporate Credit Cards-FC	33	-	33
With installment	-	-	-
Without installment	33	-	33
Credit Deposit Account-TL (Legal Person)	16.640	-	16.640
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	78.592	6.723.577	6.802.169

5. Loans according to types of borrowers:

	31 March 2018	31 December 2017
Public	-	-
Private	13.675.262	13.111.165
Total	13.675.262	13.111.165

6. Distribution of domestic and foreign loans:

	31 March 2018	31 December 2017
Domestic Loans	13.675.262	13.111.165
Foreign Loans	-	-
Total	13.675.262	13.111.165

7. Loans given to investments in associates and subsidiaries:

None (31 December 2017: None).

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

8. Specific provisions provided against loans:

	31 March 2018
Loans and Other Receivables with Limited Collectability	27.520
Loans and Other Receivables with Doubtful Collectability	20.558
Uncollectible Loans and Other Receivables	205.352
Total	253.430

	31 December 2017
Loans and Other Receivables with Limited Collectability	4.648
Loans and Other Receivables with Doubtful Collectability	14.810
Uncollectible Loans and Other Receivables	199.815
Total	219.273

9. Information on non-performing loans (Net):

i. Information on loans and other receivables that are restructured or rescheduled by the Parent Bank:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 March 2018			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	12.019

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2017			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	6.069

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

ii. Information on the movement of total non-performing loans:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period End Balance	66.811	56.476	271.565
Additions (+)	81.781	214	4.449
Transfers from Other Categories of Non-performing Loans (+)	-	59.714	16.915
Transfers to Other Categories of Non-performing Loans (-)	60.177	16.452	-
Collections (-)	4.679	1.501	11.651
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period	83.736	98.451	281.278
Specific Provision (-)	27.520	20.558	205.352
Net Balance on Balance Sheet	56.216	77.893	75.926

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period End Balance	55.502	45.693	176.840
Additions (+)	148.800	19.649	14.506
Transfers from Other Categories of Non-performing Loans (+)	-	105.843	109.630
Transfers to Other Categories of Non-performing Loans (-)	111.275	104.198	-
Collections (-)	26.216	10.511	29.411
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period	66.811	56.476	271.565
Specific Provision (-)	4.648	14.810	199.815
Net Balance on Balance Sheet	62.163	41.666	71.750

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

iii. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 March 2018			
Period-End Balance	31.239	15.503	100.916
Specific Provision (-)	8.985	4.306	81.689
Net Balance on balance sheet	22.254	11.197	19.227

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2017			
Period-End Balance	3.404	14.867	91.901
Specific Provision (-)	443	3.946	75.078
Net Balance on balance sheet	2.961	10.921	16.823

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

iv. Information on non-performing loans based on types of borrowers:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	56.216	77.893	75.926
Loans Given to Real Persons and Legal Persons (Gross)	53.126	97.960	230.719
Specific Provision Amount (-)	18.868	20.073	164.250
Loans Given to Real Persons and Legal Persons (Net)	34.258	77.887	66.469
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	30.610	491	50.559
Specific Provision Amount (-)	8.652	485	41.102
Other Loans and Receivables (Net)	21.958	6	9.457

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period (Net)	62.163	41.666	71.750
Loans Given to Real Persons and Legal Persons (Gross)	66.345	50.910	228.406
Specific Provision Amount (-)	4.554	12.027	165.724
Loans Given to Real Persons and Legal Persons (Net)	61.791	38.883	62.682
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	466	5.566	43.159
Specific Provision Amount (-)	94	2.783	34.091
Other Loans and Receivables (Net)	372	2.783	9.068

f. **Information on the calculation of interest accruals, valuation differences and their provisions for non-performing loans by banks which allocate expected credit losses according to TFRS 9:**

	III. Group:	IV. Group:	V. Group:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	1.247	-	-
Interest Accruals and Valuation Differences	1.247	-	-
Provision Amount (-)	-	-	-
Prior Period (Net)	-	-	-
Interest Accruals and Valuation Differences	-	-	-
Provision Amount (-)	-	-	-

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

g. Information on financial assets measured at amortized cost:

1. Information on held-to-maturity financial assets subject to repurchase agreements:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	176.201	-	171.218
Other	-	-	-	-
Total	-	176.201	-	171.218

2. Information on held-to-maturity financial assets given as collateral/blocked:

None (31 December 2017: None).

3. Information on government debt securities held-to-maturity:

	31 March 2018	31 December 2017
Government Bond	176.201	171.218
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	176.201	171.218

4. Information on investment securities held-to-maturity :

	31 March 2018	31 December 2017
Debt securities	176.201	171.218
Publicly-traded	176.201	171.218
Not publicly-traded	-	-
Provision for impairment	-	-
Total	176.201	171.218

5. Movement of held-to-maturity investments within the period :

	31 March 2018	31 December 2017
Opening balance	171.218	161.607
Foreign exchange differences in monetary assets	4.983	9.611
Purchases during the year	-	-
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	176.201	171.218

h. Information on investments in associates (Net):

None. (31 December 2017: None).

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

i. Information on subsidiaries (Net):

1. Capital adequacy situation of major subsidiaries:

The Parent Bank does not need any capitals arising from subsidiaries who inserted capital adequacy standard ratio.

2. Information on unconsolidated subsidiaries:

None. (31 December 2017: None).

3. Main financial figures of the unconsolidated subsidiaries in order of the below table:

None. (31 December 2017: None).

4. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank’s share percentage, if different voting percentage (%)	Other shareholders’ share percentage (%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
2	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary	Istanbul/Turkey	100,00	-
	- Burgan Wealth Limited Dubai	Istanbul/Turkey Dubai/ UAE	100,00	-

5. Main financial figures of the consolidated subsidiaries in the order of the above table:

	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	2.328.418	178.373	7.096	49.300	-	8.392	7.972	-
2 (*)	106.181	60.077	4.094	2.604	142	2.205	(4.360)	-

(*)The consolidated values of Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

6. Movement schedules of subsidiaries:

	31 March 2018	31 December 2017
Balance at the beginning of the Period	256.972	237.171
Movements during the Period	(18.606)	19.801
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase (*)	(18.606)	19.801
Impairment Provision	-	-
Balance at the end of the Period	238.366	256.972
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	99.99%	99.99%

(*) Includes the data before consolidation procedures.

7. Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

Subsidiaries	31 March 2018	31 December 2017
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	187.861	206.686
Finance Companies	-	-
Other Financial Subsidiaries	50.505	50.286
Total	238.366	256.972

(*) Includes data given prior to consolidation applications.

8. Subsidiaries quoted on stock exchange:

None (31 December 2017: None).

j. Information on joint ventures:

None. (31 December 2017: None).

k. Information on lease receivables (net):

Presentation of financial lease receivables based on their days to maturity:

	31 March 2018		31 December 2017	
	Gross	Net	Gross	Net
Less than 1 year	649.750	508.886	676.982	533.839
Between 1-4 years	1.589.633	1.298.495	1.418.184	1.162.344
More than 4 years	346.806	305.870	313.922	275.695
Total	2.586.189	2.113.251	2.409.088	1.971.878

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

l. Information on fair value hedging derivative financial assets:

	31 March 2018	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	323.039	18.500
Foreign Net Investment Hedge	-	-
Total	323.039	18.500

	31 December 2017	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	257.159	12.141
Foreign Net Investment Hedge	-	-
Total	257.159	12.141

m. Information on investment property:

None (31 December 2017: None).

n. Information on deferred tax asset:

As of 31 March 2018, the Group has netted-off the calculated deferred tax asset of TL 129.505 (31 December 2017: TL 34.676) and deferred tax liability of TL 88.118 (31 December 2017: TL 54.058) on the basis of company in accordance with “TAS 12” and has recorded a net deferred tax asset of TL 41.387 (31 December 2017: TL 14.099 net deferred tax asset and TL 33.481 net deferred tax liability) in the financial statements.

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Carried Financial Loss	34.251	8.732	7.353	1.746
Provision for Legal Cases	8.720	8.864	1.877	1.912
General Provisions and Other Provisions	493.901	77.523	108.659	17.055
Reserve for Employee Rights	17.393	21.749	3.815	4.775
Valuation Differences of Derivative Instruments	-	5.049	-	1.110
Unearned Revenue	34.708	24.015	7.636	5.283
Other	801	12.735	165	2.795
Deferred Tax Assets	589.774	158.667	129.505	34.676
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	27.471	29.627	3.787	4.257
Valuation Differences of Derivative Instruments	368.810	216.678	81.139	47.670
Other	14.598	9.688	3.192	2.131
Deferred Tax Liabilities	410.879	255.993	88.118	54.058
Deferred Tax Assets/(Liabilities) (Net)	178.895	(97.326)	41.387	(19.382)

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(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

Movement of deferred tax asset/ liabilities is presented below:

	31 March 2018	31 December 2017
Balance as of 1 January	(19.382)	(5.506)
Current year deferred tax income/(expense), net	(13.244)	(8.896)
Deferred tax charged to equity, net (*)	74.013	(4.980)
Balance at the End of the Period	41.387	(19.382)

(*) Deferred tax asset accounted in equity also includes the effects of the transition to TFRS 9.

o. Information on assets held for resale and discontinued operations:

The Group has assets held for resale amounting to TL 48.455 (31 December 2017: TL 45.095) and has no discontinued operations.

	31 March 2018	31 December 2017
Prior Period:		
Cost	45.662	46.342
Accumulated Depreciation (-)	567	831
Net Book Value	45.095	45.511
Current Period		
Net book value at beginning of the period	45.095	45.511
Additions	6.787	13.340
Disposals (-) , net	3.373	13.313
Impairment (-)	54	397
Depreciation (-)	-	46
Cost	49.006	45.662
Accumulated Depreciation (-)	551	567
Closing Net Book Value	48.455	45.095

p. Information on other assets:

As of 31 March 2018, other assets amount to TL 270.881 (31 December 2017: TL 242.423) and does not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES:

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 March 2018:

	Demand	With 7 days	Up to 1	1-3	3-6 months -	1 year and	Accum.	Total
	notifications	notifications	month	months	6 months -	over	Deposit	
					1 year			
Saving Deposits	35.110	-	336.220	2.481.535	127.901	86.790	68.061	3.135.617
Foreign Currency Deposits	212.025	-	382.127	3.915.495	565.982	103.564	53.635	5.232.828
Residents in Turkey	199.640	-	362.721	3.859.256	565.243	101.744	50.164	5.138.768
Residents Abroad	12.385	-	19.406	56.239	739	1.820	3.471	94.060
Public Sector Deposits	30.140	-	-	-	-	-	-	30.140
Commercial Deposits	85.991	-	58.038	168.434	13.217	1.377	119.174	446.231
Other Institutions Deposits	988	-	1.150	41.591	41	650	11.328	55.748
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits	4.312	-	390.146	-	-	-	-	394.458
The CBRT	-	-	390.146	-	-	-	-	390.146
Domestic Banks	140	-	-	-	-	-	-	140
Foreign Banks	4.172	-	-	-	-	-	-	4.172
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	368.566	-	1.167.681	6.607.055	707.141	192.381	252.198	9.295.022

ii. 31 December 2017:

	Demand	With 7 days	Up to 1	1-3	3-6 months -	1 year and	Accum.	Total
	notifications	notifications	month	months	6 months -	over	Deposit	
					1 year			
Saving Deposits	31.527	-	225.597	2.333.196	100.087	78.556	76.825	2.845.788
Foreign Currency Deposits	178.981	-	364.155	3.662.979	900.151	156.529	27.762	5.290.557
Residents in Turkey	165.575	-	343.962	3.625.377	887.658	155.010	24.659	5.202.241
Residents Abroad	13.406	-	20.193	37.602	12.493	1.519	3.103	88.316
Public Sector Deposits	5.699	-	-	-	-	-	-	5.699
Commercial Deposits	98.518	-	40.860	168.917	19.354	23.409	206.176	557.234
Other Institutions Deposits	5.582	-	1.039	38.819	2.097	21.205	10.962	79.704
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits	6.643	-	86.846	-	-	-	-	93.489
The CBRT	-	-	65.720	-	-	-	-	65.720
Domestic Banks	120	-	21.126	-	-	-	-	21.246
Foreign Banks	6.523	-	-	-	-	-	-	6.523
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	326.950	-	718.497	6.203.911	1.021.689	279.699	321.725	8.872.471

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

2. Information on saving deposits insurance:

i. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Saving Deposits				
Saving Deposits	770.509	696.957	2.365.108	2.148.831
Foreign Currency Savings Deposit	245.268	244.679	2.722.814	2.688.262
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Authorities’ Insurance	-	-	-	-
Off-shore Banking Regions’ Deposits Under Foreign Authorities’ Insurance	-	-	-	-
Total	1.015.777	941.636	5.087.922	4.837.093

ii. There are no deposits covered under foreign authorities’ insurance since the Parent Bank is incorporated in Turkey.

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	31 March 2018	31 December 2017
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	26.020	23.562
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCK” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
Total	26.020	23.562

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

b. Information on trading derivative financial liabilities:

Schedule of negative differences concerning trading derivative financial liabilities:

Trading Derivative Financial Liabilities	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Forward Transactions	47.350	4.831	18.993	2.876
Swap Agreements	33.229	24.699	51.286	60.576
Futures Transactions	-	-	-	-
Options	204	42.790	307	26.740
Other	-	-	-	-
Total	80.783	72.320	70.586	90.192

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	65.210	417.131	115.370	296.886
From Foreign Banks, Institutions and Funds	107.500	5.733.778	90.435	5.580.071
Total	172.710	6.150.909	205.805	5.876.957

2. Information on maturity structure of borrowings:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Short-term	172.207	622.573	205.805	733.471
Medium and Long-term	503	5.528.336	-	5.143.486
Total	172.710	6.150.909	205.805	5.876.957

3. Additional information on the major concentration of the Group’s liabilities:

The Group’s main funding sources are deposits and borrowings. As of 31 March 2018, deposits and borrowings from Group’s risk group comprise 0,3% (31 December 2017: 0,4%) of total deposits. Besides this, borrowings from Group’s risk group comprise 52,8% (31 December 2017: 52,2%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2017: None).

e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 590.489 (31 December 2017: TL 53.867 Other Foreign Liabilities and TL 353.907 Miscellaneous Payables) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

f. Information on lease payables (net):

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which place significant commitments on the Group.

g. Information on hedging derivative financial liabilities:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Hedging Fair Value Risk	-	-	-	-
Hedging Cash Flow Risk	46.492	10.122	40.807	13.168
Hedging Net Investment In Foreign Operations	-	-	-	-
Total	46.492	10.122	40.807	13.168

h. Information on provisions:

1. Information on general provisions:

Are classified under assets in the current period due to the implementation of TFRS 9.

	31 December 2017
General Provisions	107.566
Provisions for First Group Loans and Receivables	94.018
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Second Group Loans and Receivables	10.911
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Non-Cash Loans	2.166
Other	471

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

2. Information on reserve for employment termination benefits:

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

As of the date of 1 July 2017, the payment amount which is one month’s salary for each working year is restricted to TL 5.001,76 (31 December 2017: TL 4.732,48). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Group. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	31 March 2018	31 December 2017
Discount rate (%)	3,26	3,26
Salary increase rate (%)	8,50	8,50
Average remaining work period (Year)	11,00	11,00

Movement of reserve for employment termination benefits during the period:

	31 March 2018	31 December 2017
As of January 1	12.478	10.499
Service cost	1.359	2.336
Interest cost	-	1.056
Settlement cost	-	936
Actuarial loss/gain	-	763
Benefits paid (-)	383	3.112
Total	13.454	12.478

In addition, as of 31 March 2018 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 12.078 (31 December 2017: TL 24.035).

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(Continued):**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2017
Provisions for potential risks (*)	40.555
Total	40.555

(*) Includes the provisions allocated for risks that may arise in the future related to certain loans in the Bank’s loan portfolio.

ii. Information on other provisions:

The Group set aside under other provisions amounting to TL 8.720 (31 December 2017: TL 8.864) for lawsuits, TL 18.036 (31 December 2017: TL 2.389) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 4.235 (31 December 2017: TL 1.911) for customer cheques commitments, TL 23 (31 December 2017: TL 33) for credit card loyalty points and TL 247 (31 December 2017: TL 236) for other receivables.

4. Information on provisions related with foreign currency difference of foreign indexed loans:

As of 31 March 2018, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 67 (31 December 2017: TL 1.407) and is netted from the loan amount in the financial statements.

i. Information on taxes payable:

1. Information on tax provision:

As of 31 March 2018, after the prepaid tax amount is netted off, the corporate tax provision of the Bank is TL 1.265 (31 December 2017: TL 11.300).

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

2. Information on taxes payable:

	31 March 2018	31 December 2017
Corporate Tax Payable	1.265	11.300
Taxation of Marketable Securities	11.807	8.567
Property Tax	195	104
Banking Insurance Transaction Tax	7.574	6.517
Value Added Tax Payable	341	585
Other	2.382	3.090
Total	23.564	30.163

3. Information on premium payables:

	31 March 2018	31 December 2017
Social Security Premiums-Employee	2.518	2.254
Social Security Premiums-Employer	3.268	3.036
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	168	151
Unemployment Insurance-Employer	336	300
Other	190	213
Total	6.480	5.954

4. As of 31 March 2018, the Group has netted-off the calculated deferred tax asset of TL 129.505 (31 December 2017: TL 34.676) and deferred tax liability of TL 88.118 (31 December 2017: TL 54.058) in accordance with “TAS 12” and has recorded a net deferred tax asset of TL 41.387 (31 December 2017: TL 14.099 deferred tax asset, TL 33.481 deferred tax liability) in the financial statements.

j. Information on payables for assets held for resale and discontinued operations:

None (31 December 2017: None).

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

k. Information on subordinated loans:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	6 December 2013	4 December 2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	30 March 2016	30 March 2026	LIBOR+3,75

The subordinated loan does not have the option to be converted into stock certificate.

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.194.551	-	1.140.582
Other Foreign	-	-	-	-
Total	-	1.194.551	-	1.140.582

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Debt Instruments Subject to Common Equity	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier 2 Equity	-	1.194.551	-	1.140.582
Subordinated Loans	-	1.194.551	-	1.140.582
Subordinated Debt Instruments	-	-	-	-
Total	-	1.194.551	-	1.140.582

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

I. Information on shareholders’ equity:

1. Presentation of paid-in capital:

	31 March 2018	31 December 2017
Common Stock	1.185.296	1.185.000
Preferred Stock	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital	1.185.296	2.000.000

3. Information on the share capital increases during the period and their sources:

Capital Increase Date	Capital Increase Amount	Cash	Profit Reserves Related to Capital Increase	Capital Reserves Related to Capital Increase
26.03.2018 (*)	296	296	-	-

(*) During the Bank’s capital increase process following the Board of Directors decisions dated 15 December 2017, 14 January 2018 and 21 February 2018, right of preference amounting to full TL 285.295.806,45 has been used and as of 26 March 2018 the Bank’s capital has been declared as full TL 1.185.295.806,45.

4. Information on capital increases from capital reserves during the current period:

None.

5. Information on capital commitments, up until the end of the fiscal year and the subsequent period:

None.

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

I. Information on shareholders' equity (Continued):

6. Information on equity by considering the prior period indicators of income, profitability and liquidity of the Parent Bank and its Subsidiaries and the uncertainties on these indicators:

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank and its Subsidiaries within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

8. Information on marketable securities valuation reserve:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(3.505)	(2.777)	(2.366)	(143)
Foreign Currency Translation Difference	-	-	-	-
Total	(3.505)	(2.777)	(2.366)	(143)

9. Information on tangible assets revaluation reserve:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	18.075	-	18.075	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales	-	-	-	-
Income from Immovables	1.413	-	-	-
Total	19.488	-	18.075	-

10. Information on distribution of prior year's profit:

According to the General Assembly meeting decision on 30 March 2018, the profit of 2017 which to TL 109.848 (TAS 27) is not distributed and it is classified as legal and extraordinary reserves.

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**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS:**

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 March 2018	31 December 2017
Foreign currency buy/sell commitments	576.460	191.967
Commitments for cheques	380.344	334.480
Loan limit commitments	160.966	109.606
Commitments for credit card limits	14.858	18.445
Forward securities commitments	5.600	-
Promotions for the credit cards and their care services	4	8
Capital Commitments for subsidiaries and joint ventures	-	14.997
Total	1.138.232	669.503

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in “Off-balance sheet commitments”.

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 March 2018	31 December 2017
Letter of guarantees	1.795.287	1.740.052
Letter of credits	451.189	234.673
Bank acceptance loans	97.010	107.766
Other guarantees	90.675	36.130
Factoring guarantees	-	28
Total	2.434.161	2.118.649

ii. Revocable, irrevocable guarantees, contingencies and other similar guarantees:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Irrevocable letters of guarantee	642.880	359.151	643.291	396.530
Guarantees given to customs	24.610	75.760	56.429	26.916
Revocable letters of guarantee	20.635	28.490	29.024	70.284
Letters of guarantee given in advance	23.218	190.662	7.571	157.427
Other letters of guarantee	14.679	415.202	19.740	332.840
Total	726.022	1.069.265	756.055	983.997

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS (Continued):**

a. Information on off balance sheet commitments (Continued):

3. i. Total amount of non-cash loans:

	31 March 2018	31 December 2017
Non-cash loans given against cash loans	510.536	378.095
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	510.536	378.095
Other non-cash loans	1.923.625	1.740.554
Total	2.434.161	2.118.649

ii. Information on non-cash loans classified in 1st and 2nd group:

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	705.500	1.045.884	13.558	22.927
Bank Acceptances	1.900	95.110	-	-
Letters of Credit	-	450.516	-	673
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	90.675	-	-
Total	707.400	1.682.185	13.558	23.600

(*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 7.418. As of 31 March 2017, the Group has recorded a TL 2.832 provision regarding these risks.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS (Continued):**

b. Information on contingent assets and contingent liabilities:

As of 31 March 2018, the total amount of legal cases against the Group is TL 59.941 (31 December 2017: TL 59.102) and the Parent Bank sets aside a provision of TL 8.720 (31 December 2017: TL 8.864) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpinar Tax Administration, negative declaratory action has been claimed at “Denizli Tax Authority” and “Denizli Civil Court of General Jurisdiction” for cancellation of the payment order of TL 25.459, which was notified to the Parent Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Parent Bank. The cases are at the appeal phase. As a result, the Parent Bank did not book any provision.

c. Brief information on the Bank’s rating given by International Rating Institutions:

FITCH (26 January 2018)

Outlook	Stable
Long Term FC	BBB-
Short Term FC	F3
Long Term TL	BBB-
Short Term TL	F3
Viability Note	b+
Support Rating	2
National Rating	AAA(tur)

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans :

	31 March 2018		31 March 2017	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-term Loans	110.527	5.405	87.054	3.282
Medium/Long-term Loans	128.671	108.185	70.510	85.769
Interest on Loans Under Follow-up	884	-	1.600	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	240.082	113.590	159.164	89.051

(*) Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

	31 March 2018		31 March 2017	
	TL	FC	TL	FC
From the CBRT	5.633	-	-	-
From Domestic Banks	3.978	288	6.265	124
From Foreign Banks	-	19	-	3
Headquarters and Branches Abroad	-	-	-	-
Total	9.611	307	6.265	127

3. Information on marketable securities:

	31 March 2018		31 March 2017	
	TL	FC	TL	FC
From Trading Financial Assets	369	-	1.364	38
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	4.364	1.236	8.519	2.207
From Held-to-Maturity Investments	-	2.063	-	1.867
Total	4.733	3.465	9.883	4.112

4. Information on interest income received from investments in associates and subsidiaries:

None (31 March 2017: None).

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 March 2018		31 March 2017	
	TL	FC	TL	FC
Banks	7.467	64.006	1.095	39.040
The CBRT	-	-	-	-
Domestic Banks	7.467	401	1.095	274
Foreign Banks	-	63.605	-	38.766
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	3.122	-	3.184
Total (*)	7.467	67.128	1.095	42.224

(*) Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries:

None (31 March 2017: None).

3. Information on interest expense on issued securities:

	31 March 2018	31 March 2017
Interest expense on issued securities	-	1.436

4. Information on interest rate and maturity structure of deposits:

Current Period	Demand Deposit	Time Deposit					Accum. Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
TL								
Bank Deposits	-	9	-	-	-	-	-	9
Savings Deposits	-	10.287	90.000	4.022	2.999	2.566	-	109.874
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	1.395	7.800	796	513	5.817	-	16.321
Other Deposits	-	37	2.314	52	595	366	-	3.364
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Total	-	11.728	100.114	4.870	4.107	8.749	-	129.568
FC								
Foreign Currency Account	-	2.805	38.661	5.695	849	232	-	48.242
Bank Deposits	-	743	-	-	-	-	-	743
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	3.548	38.661	5.695	849	232	-	48.985
Sum Total	-	15.276	138.775	10.565	4.956	8.981	-	178.553

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

c. Information on trading loss/income (Net):

	31 March 2018	31 March 2017
Income	4.758.965	6.237.107
Capital Market Transactions	2.818	4.988
Derivative Financial Transactions	43.586	15.599
Foreign Exchange Gains	4.712.561	6.216.520
Loss (-)	4.752.252	6.228.948
Capital Market Transactions	1.302	2.579
Derivative Financial Transactions	44.935	15.040
Foreign Exchange Loss	4.706.015	6.211.329
Net Income/(Loss)	6.713	8.159

d. Information on other operating income:

As of 31 March 2018, the Group’s other operating income is TL 8.426 (31 March 2017: TL 5.506). TL 811 (31 March 2017: TL 1.248) of the amount of the other operating income is composed of profit from sales of the fixed assets that were classified as “Asset Held for Resale” of the Parent Bank.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

e. Provision expenses related to loans and other receivables:

	31 March 2018
Expected Credit Loss	38.777
12 Month Expected Credit Loss (Stage 1)	(2.560)
Significant Increase in Credit Risk (Stage 2)	32.958
Non-performing Loans (Stage 3)	8.379
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
Total	38.777

	31 March 2017
Specific Provisions for Loans and Other Receivables	11.785
III. Group Loans and Receivables	2.847
IV. Group Loans and Receivables	3.312
V. Group Loans and Receivables	5.626
General Provision Expenses	2.260
Provision Expense for Possible Risks	14.425
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-sale Financial Assets	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held-to-maturity Investments	-
Other	-
Total	28.470

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

f. Information related to other operating expenses:

	31 March 2018
Personnel Expenses (**)	41.071
Reserve For Employee Termination Benefits (*)	1.769
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	15
Amortization Expenses of Fixed Assets	2.812
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	4.203
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	54
Amortization Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	32.181
Operational Lease Expenses	8.182
Maintenance Expenses	631
Advertising Expenses	347
Other Expense	23.021
Loss on Sales of Assets	-
Other	8.952
Total	91.057

(*) As of 31 March 2018, the employee vacation fee provision income is TL 188 (31 March 2017: TL 399).

(**) The personnel expenses amount has been presented on a separate row on the income statement.

	31 March 2017
Personnel Expenses	43.166
Reserve For Employee Termination Benefits (*)	2.893
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Depreciation Expenses of Fixed Assets	3.146
Impairment Expenses of Intangible Assets	-
Impairment Expense of Goodwill	-
Amortisation Expenses of Intangible Assets	2.923
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	78
Depreciation Expenses of Assets Held for Resale	191
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	31.509
Operational Lease Expenses	7.529
Maintenance Expenses	766
Advertising Expenses	206
Other Expense	23.008
Loss on Sales of Assets	2
Other	6.737
Total	90.645

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

g. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations. The Group's income before tax from continuing operations is TL 63.642 (31 March 2017: TL 28.783 income before tax).

h. Information on provision for taxes from discontinued and continuing operations:

The Group has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

As of 31 March 2018, the Group has current tax expense amounting to TL 2.253 and deferred tax expense amounting to TL 12.840.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

The Group has TL 31.642 deferred tax income from temporary differences, TL 7.353 deferred tax income from carried financial loss. The deferred tax expense due to the closing of temporary differences amounts to TL 44.482, netting off to TL 12.840 deferred tax expense.

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(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

**h. Information on provision for taxes from discontinued and continuing operations
(Continued):**

3. Information on recognition of temporary difference, financial loss, diminution of tax and exceptions on income statement:

As of 31 March 2018, the Group has TL 18.378 deferred tax expense arising from temporary differences and TL 8.732 deferred tax income as a result of carried financial loss.

i. Information on net income/ (loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

j. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items’ composition is necessary to understand the annual performance of Bank, the composition and amount of these items:

None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

None.

k. Information on other income and expenses:

1. In the current period, the Group’s interest income amounts to TL 493.453 (31 March 2017: TL 361.169) and TL 69.374 (31 March 2017: TL 59.625) of the related amount is classified as “Other Interest Income” account in income statement.

	31 March 2018	31 March 2017
Other Interest Income		
Interest income related to derivative transactions	60.164	55.322
Other	9.210	4.303
Total	69.374	59.625

2. In the current period, the Group’s interest expense amounting to TL 329.344 (31 March 2017: TL 240.478) and TL 73.360 (31 March 2017: TL 67.489) of the related amount is classified “Other Interest Expense” account in income statement.

	31 March 2018	31 March 2017
Other Interest Expense		
Interest expense related to derivative transactions	56.539	61.810
Other	16.821	5.679
Total	73.360	67.489

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

3. In the current period, the Group’s fee and commission income amounts to TL 18.674 (31 March 2017: TL 15.545) and TL 13.543 (31 March 2017: TL 11.119) of the related amount is classified under “Other” account.

	31 March 2018	31 March 2017
Other Fee and Commissions Received		
Insurance Commissions	3.280	994
Commissions from Credit Comissions	1.192	468
Commissions on Investment Fund Services	207	227
Commissions From Brokerage Activity in Istanbul Stock Exchange	203	168
Transfer Commissions	174	212
Commissions from Correspondent Banks	135	133
Credit Card and POS Transaction Commission	105	109
Common Point Commissions	23	22
Investment Consultancy Fees	6	3.792
Letter of Credit Commissions	3	2
Other	8.215	4.992
Total	13.543	11.119

4. In the current period, Group’s fee and commission expense amounts to TL 4.042 (31 March 2017: TL 2.003) and TL3.937 (31 March 2017: TL 1.852) of the related amount is classified under “Other” account.

	31 March 2018	31 March 2017
Other Fee and Commissions Given		
Credit Card Transaction Commission	552	734
Stock Exchange Contribution Expenses	289	191
Commissions Granted to Correspondent Banks	289	332
EFT Commissions	219	202
Common Point Clearing Commissions	113	91
Transfer Commissions	32	29
Other	2.443	273
Total	3.937	1.852

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

V. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP:

a. The volume of transactions relating to the Group’s risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Prior period financial information is presented as at 31 December 2017 for balance sheet items and as at 31 March 2017 for income statements items.

31 March 2018:

Groups’ Risk Group Loans and Other Receivables	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Balance at the Beginning of the Period	-	12.963	-	-	27	15.429
Balance at the End of the Period	-	12.561	-	-	178	13.574
Interest and Commission Income Received	-	-	-	-	-	-

31 December 2017:

Groups’ Risk Group Loans and Other Receivables	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	-	12.963	-	-	27	15.429
Interest and Commission Income Received	-	-	-	-	7	-

2. Information on deposits and repurchase transactions of the Group’s risk group:

Groups’ Risk Group Deposit	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning of the Period	-	-	6.357	5.656	24.791	26.005
End of the Period	-	-	4.008	6.357	27.296	24.791
Interest Expense on Deposits	-	-	-	-	82	297

Groups’ Risk Group Repurchase Transactions	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

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(Continued):**

V. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Group’s risk group:

Groups’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for trading purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

b. With respect to the Group’s risk group:

1. The relations with entities that are included in the Group’s risk group and controlled by the Group:

The Group performs various transactions with related parties during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Share in Financial Statements (%)
Borrowings and Subordinated Loans	3.965.889	52,75
Deposit	31.304	0,34
Non-cash Loans	26.135	1,07
Loans	178	0,00
Banks and Other Financial Institutions Loans	92	0,31

As of 31 March 2018, the Group has no realized interest income from deposits given to banks included in the risk group (31 March 2017: None), the Group has realized interest expense amounting to TL 40.528 (31 March 2017: TL 30.708) on loans borrowed from the banks included in the risk group.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP (Continued):

3. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Parent Bank's risk group and the amount composes 0,16% (31 December 2017: 0,18%) of the Group's total cash and non-cash loans.

As of 31 March 2018 there are no purchase-sales transactions on any assets including real-estate with the risk group consisting the Parent Bank.

As of 31 March 2018 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Parent Bank is included.

c. Information on benefits provided to top management:

Top management of the Group is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 10.693 (31 March 2017: TL 9.416) which include total gross salary, travel, meal, health, life insurance and other expenses.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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SECTION SIX

EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT

The consolidated financial statements as of 31 March 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) and the auditor’s independent limited review report dated 11 May 2018 has been presented prior to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

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SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

I. EVALUATIONS FOR THE OPERATING PERIOD AND EXPECTATIONS FOR THE FUTURE BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER:

The global economy has further gained strength in 2017, and expanded by 3,8% last year, the fastest rate since 2011. According to the IMF World Economic Outlook, global growth is projected to tick up to 3,9% in 2018 thanks to supportive financial conditions. Advanced economies are expected to grow faster than potential in 2018, while US and Euro-zone economies are mainly driven by expansionary fiscal policy and accommodative monetary policy, respectively. As headline inflation gradually accelerates in advanced countries, major central banks continue to normalize monetary policies. Fed hiked the Federal Funds Rate by 25bps in March and maintained its guidance of a total of 75bps hike in 2018. ECB reduced the monthly pace of its asset purchase program from €60bn to €30bn as of January; and plans to end the program by September 2018. On the other hand, concerns regarding a potential trade war has increased after the US decision to impose tariffs on some products and announcement by China of retaliatory tariffs on imports from the US.

The Turkish economy expanded by 7,4% yoy in 2017, driven by the measures to stimulate domestic demand and supportive global outlook. Expansionary fiscal policies, Credit Guarantee Fund facility with TRL200bn volume and the weak base of the previous year - due to the Coup attempt- were among the main factors behind the strong growth in 2017. The highest contribution to GDP growth came from private consumption and inventory change in 4Q17, while investments continued to recover. On the other hand, the contribution of net exports turned negative, as imports of goods and services surged 23% yoy versus 9,3% increase in exports of goods and services. Public expenditures kept providing strong contribution to the GDP growth in 4Q17. Leading indicators suggest that the economic activity continue to expand at a strong pace in 1Q18. Industrial production increased by an average of 11,4% in the first two months of 2018. However, both consumer and real sector confidence indices and PMI data signals some softening in economic growth as of March. Turkish economy is expected to grow at around 4,5% in 2018.

Fiscal policy has remained supportive of growth. Central government budget expenditures increased 18% yoy in 1Q18, while central government budget revenues rose 16% yoy. Thus, budget deficit widened by 37% yoy to TRL20.4bn as of March. According to the Medium-term Programme, central government budget deficit-to-GDP ratio is projected to rise to 1,9% by end-2018 from 1,5% in 2017.

The current account deficit continue widen in parallel to strong economic activity. In the first three months of the year, imports expanded by 23% yoy while exports rose 9% yoy, leading a 64% yoy rise in foreign trade deficit. Following a total of US\$16.5bn gold imports in 2017, roughly US\$5.0bn gold imports were recorded in 1Q18. On the other hand, energy imports keep rising in parallel to higher oil prices. Imports excluding gold and energy has risen by 21% yoy, driven by the acceleration in imports of investment and consumption goods in 1Q18. Tourism sector has been recovering since the beginning of 2017: tourist arrivals and tourism revenues escalated by 28% and 20% yoy in 2017, respectively, and tourism revenues rose 29% yoy in the first two months of 2018. As a result, 12m rolling current account deficit has widened to US\$53.1bn as of February from US\$47.2bn by end-2017. Current account deficit-to-GDP ratio is expected to stay around 5,5% by end-2018.

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BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

I. EVALUATIONS FOR THE OPERATING PERIOD AND EXPECTATIONS FOR THE FUTURE BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER (Continued):

Annual inflation has gradually declined to 10,2% in March, from 11,9% in end-2017, thanks to the favourable base effect. Similarly, core inflation receded from 12,3% to 11.4% as of March. However, inflation remains in double-digit levels due to delayed pass-through from weaker TRL, elevated food inflation and buoyant domestic demand. The Turkish Lira weakened by 6% against the currency basket in March and April. According to the Expectation Survey conducted by the CBT, YE18 inflation forecast has risen to 10,1% recently.

Under this framework, the CBT has tightened the monetary policy stance in 2017. The CBT has hiked the LLW rate by 225bp throughout 2017 and started to provide liquidity only through the Late Liquidity Window (LLW) since November 2017, leading a 450bps increase in Weighted funding rate last year. The CBT hiked the LLW rate by another 75bps to 13,5% in the last MPC meeting on April 25. The weighted funding rate stands at 13,50% since then.

In the coming period, early general and presidential elections to be held on June 24, the agenda of the new government after the elections and CBT’s potential reaction to deteriorating pricing behaviour will be critical in terms of financial stability and macroeconomic outlook. On the other hand, the pace of global economic growth, the pace of policy normalisation by Fed and ECB, news flow regarding a potential trade war and geopolitical developments will be monitored closely in the remainder of the year.

Consolidated balance sheet size of our bank dated 31 March 2018 is TL 19.310.759 while consolidated deposit total is TL 9.295.022. Burgan Bank has maintained its support to customers uninterruptedly and consolidated net cash loans, leasing and factoring receivables total is realized as TL 16.261.445. In 2018, as a result of our attention on credit risk management and strong collateral structure, nonperforming loans to total cash loans ratio is 2,8%, which is below the level of the Turkish banking sector average. Our consolidated equities have realized as TL 1.403.584 while our consolidated capital adequacy ratio has risen up to 17,16%. Our Bank has made a net profit of TL 48.549 in the first quarter of 2018. We will continue to render our services in 16 cities through deepening our relations with our current customers besides gaining new customers.

We believe that our Bank will reach its future targets easily with the support and guidance of our shareholders and board of directors. We would like to take this opportunity to thank our customers, employees and investors for their valuable contributions, trusts to Burgan brand and their loyalty.

Ali Murat DİNÇ
Member of Board of Directors and General Manager

Mehmet N. ERTEN
Chairman of Board of Directors

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

II. NAMES AND SURNAMES, DUTY TERMS, FIELDS OF RESPONSIBILITIES, EDUCATIONAL BACKGROUNDS, PROFESSIONAL EXPERIENCES OF MEMBERS AND CHAIRMAN OF BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGER AND DEPUTY GENERAL MANAGERS AND MANAGERS OF DEPARTMENTS WITHIN THE SCOPE OF INTERNAL SYSTEMS:

<u>Name</u>	<u>Duty</u>	<u>Date of Assignment</u>	<u>Educational Background</u>	<u>Banking and Managership Experience (Year)</u>
<i>Chairman and Members of Board of Directors:</i>				
Mehmet Nazmi Erten	Chairman	29.01.2014	Bachelor’s degree	29
Faisal M.A. Al Radwan	Deputy Chairman	29.01.2014	Bachelor’s degree	23
Eduardo Eguren Linsen	Member	20.12.2012	Bachelor’s degree	25
Majed E.A.A. Al Ajeel	Member	20.12.2012	Post graduate	22
Adrian Alejandro Gostuski	Member	21.12.2012	Post graduate	35
Mehmet Alev Göçmez	Member	23.01.2013	Post graduate	33
Halil Cantekin	Member	30.03.2015	Bachelor’s degree	31
Osama T. Al Ghoussein	Member	25.06.2014	Bachelor’s degree	33
Ali Murat Dinç	Member and General Manager	03.02.2014	Post graduate	21
<i>General Manager</i>				
Ali Murat Dinç	Member and General Manager	03.02.2014	Post graduate	21
<i>Deputy General Managers:</i>				
Esra Aydın	Operation & Management Services	01.08.2007	Bachelor’s degree	16
Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	08.08.2007	Post graduate	11
Hüseyin Cem Öge	Corporate Banking	22.08.2007	Post graduate	13
Cihan Vural	Internal Systems	03.11.2008	Bachelor’s degree	13
Rasim Levent Ergin	Human Resources	01.11.2012	Post graduate	17
Emine Pınar Kuriş	Retail Banking	10.12.2013	Doctorate	16
Suat Kerem Sözügüzel	Commercial & SME banking	01.04.2014	Bachelor’s degree	17
Hasan Hüseyin Uyar	Loans	01.04.2014	Post graduate	27
Mehmet Yalçın	Financial Affairs	20.05.2016	Bachelor’s degree	19

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

III. INFORMATION ON ACTIVITIES OF COMMITTEES ESTABLISHED LINKED TO BOARD OF DIRECTORS OR IN ORDER TO ASSIST BOARD OF DIRECTORS IN THE FRAMEWORK OF RISK MANAGEMENT SYSTEMS IN ACCORDANCE WITH THE REGULATION ON CREDIT COMMITTEE AND INTERNAL SYSTEMS OF THE BANK AND NAMES, SURNAMES AND FUNDAMENTAL DUTIES OF CHAIRMAN AND MEMBERS ASSIGNED IN AFOREMENTIONED COMMITTEES:

Mehmet N. Erten, chairman of Board of Directors, performs the duty of chairmanship of Credit Committee. The members of the aforementioned committee are Ali Murat Dinç, General Manager of the Bank, and Faisal M.A.Al Radwan and Eduardo Eguren Linsen, members of Board of Directors. Mehmet Alev Göçmez and Adrian Alejandro Gostuski, who are also members of Board of Directors, are substitute members of the Committee.

Halil Cantekin has been elected as the Chairman of the Audit Committee while Adrian Alejandro Gostuski and Osama T. Al Ghousein have been elected as members of the Audit Committee.

Adrian Alejandro Gostuski has been elected as the Chairman of the Risk Committee while Majed E.A.A. Al Ajeel and Osama T. Al Ghousein have been elected as members of the Risk Committee.

IV. EVALUATIONS OF THE AUDIT COMMITTEE REGARDING INTERNAL CONTROL, INTERNAL AUDIT AND OPERATION OF RISK MANAGEMENT SYSTEMS AND INFORMATION ON THEIR ACTIVITIES WITHIN THE ACCOUNTING PERIOD:

The principal duty of Burgan Bank A.Ş. Audit Committee is to provide assistance to the Board of Directors of the Bank in order to fulfil its supervision responsibility related to the Bank and its consolidated affiliates through examining financial information which shall be presented to shareholders, ensuring the effectiveness, adequateness and efficiency of internal systems established by the management and Board of Directors and monitoring audit process. There is no change in the period related to activities of the Audit Committee.

V. SIGNIFICANT EVENTS AND TRANSACTIONS WITHIN THE PERIOD:

The ongoing establishment process of Burgan Faktoring A.Ş. has been abandoned, following the application, with the BRSA’s letter dated 29 March 2017, the establishment permission has been canceled. The closing registration procedures of the company has been completed at 4 May 2018.

There is no significant change related to information except the explanations including numeric disclosures in financial statements included in the annual activity report prepared in accordance with the Regulation on Procedures and Principals related to Preparation and Publication of Activity Report.

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

VI. SUMMARY FINANCIAL INFORMATION RELATED TO ACTIVITY RESULTS OF ACCOUNTING PERIOD:

	31.03.2018	31.12.2017	Change (%)
Total Assets	19.310.759	18.754.698	3,0
Loans, Leasing and Factoring Receivables (Net)	16.261.445	15.520.247	4,8
Securities	473.932	186.410	154,2
Deposits	9.295.022	8.872.471	4,8
Debts Having Loan Characteristics	7.518.170	7.223.344	4,1
Shareholder’s Equity	1.403.584	1.512.475	(7,2)
Guarantee and Suretyship	2.434.161	2.118.649	14,9
Capital Adequacy Ratio	17,16%	17,32%	(12,4)

	(01/03/2018 - 31/03/2018)	(01/03/2017 - 31/03/2017)
Current Period Net Profit/(Loss)	48.549	20.864

VII. DISCLOSURE RELATED TO PERSONNEL AND BRANCH NUMBER, SERVICE TYPE OF THE BANK AND ACTIVITY SUBJECTS AND EVALUATION OF THE POSITION OF THE BANK IN THE SECTOR BASED UPON AFOREMENTIONED ITEMS:

The Bank provides high value added banking services and products in corporate, commercial, individual, financial leasing with private banking and investment banking areas with a total of 43 branches, including 9 retail, 1 corporate and 33 mixed banking branches, internet banking applications, call center and 1.004 employees.

Indicators related to shares of the Bank in the sector with respect to base quantities are as follows:

31 March 2018

Million TL	Burgan Bank	Sector (*)	Share of our Bank (%)
Cash Loans	13.212	2.220.553	0,60
Customer Deposits	8.895	1.878.768	0,47
Branch Number	43	10.510	0,41
Personnel Number	1.004	193.177	0,52

(*) Reference BRSA and The Banks Associations of Turkey.